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With The Editors

Gauging The Business Tide

AMONG the various indexes computed and published by THE MAGAZINE OF WALL STREET probably none commands wider interest and elicits more comment and inquiries—not only from subscribers, but also from Government bureaus and private research organizations — than our *Index of Business Activity.* Inquiries are, quite naturally, particularly numerous during an expanding phase of industrail activity and for this reason it is opportune to comment briefly upon the significance of this Index and its position among other well-known business indicators.

Theoretically the perfect business index would present an accurate census of the activity of every mine, well, farm, fishery, quarry, factory, store, financial institution, warehouse, and service unit in the United States. Practically, owing to the difficulties of assembling such masses of data, such information is available as National Income Produced only once a year, and is five or six months late at that. Meanwhile, it is necessary to know the state of business from week to week. For this purpose a composite report of activity in a limited number of large and representative industries, whose activities reflect those of many others, is taken as a representative sample.

As a matter of practical experience it develops that such an index, if properly constructed, does convey a surprisingly faithful picture of the total business stream throughout the nation. In addition to the activity in steel, automobile, electric power, car loadings and other industries, which all indexes take into account, the service industries find representation in our own weekly index through the inclusion of check payments as one of its components.

The result is an index that is highly sensitive and although computed weekly it agrees closely, over a sufficient period of time, with the monthly index published by the Federal Reserve Board and more comprehensive estimates prepared by the Department of Commerce, after suitable allowance for the circumstance that, unlike our own index, the Government figures make no adjustment for growth in population.

THE MAGAZINE OF WALL STREET'S Business Activity Index, depicts with probably about the closest fidelity possible on anything short of a yearly time scale, *the weekly and monthly changes in the annual rate at which new wealth is being produced throughout the United States, on a per capita basis, expressed as a percentage of the 1923-5 average. The Index measures the physical volume (unit quantity) of goods and services produced —not their dollar value.*

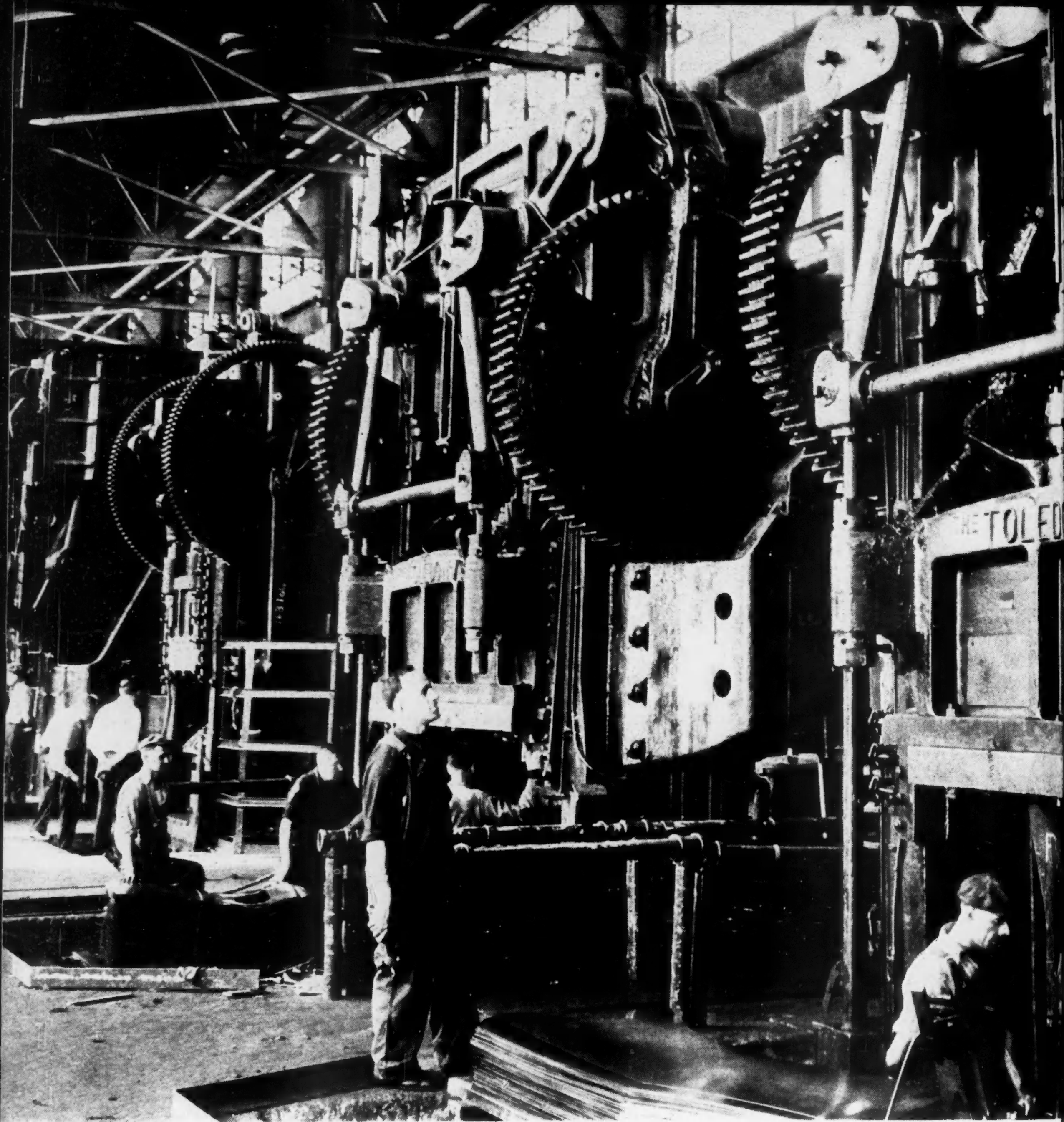
★ ★ ★ IN THE NEXT ISSUE ★ ★ ★

New Hope for Business in Revised Wagner Act

BY RAY TUCKER

What's Wrong with the Oils

BY GEORGE W. MATHIS

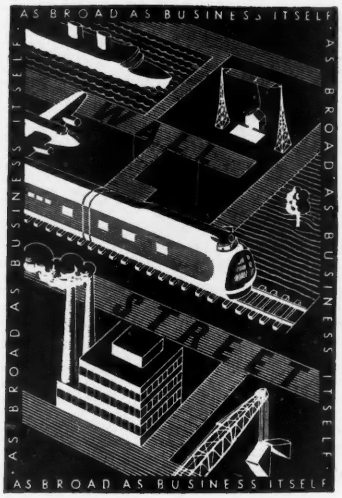


Courtesy Briggs Mfg. Co.

Wheels are turning at an accelerated speed in the plants of the motor industry as production gets underway on 1939 models. More optimism is apparent than at any other time this year, and justly so. A portion of Briggs Manufacturing's auto body division is shown above.

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

DEFEAT FOR THE PRESIDENT . . . In the South Carolina primary, which is equivalent to election, the Democrats have nominated a Senator openly opposed by President Roosevelt. In the California primary they have turned thumbs down on a Senator openly favored by the President. Each result is further evidence that Mr. Roosevelt construes his "mandate" somewhat more broadly than do the voters and that in the average American's scheme of things an independent Congress has its proper place.

Even if the President wins in all remaining primary contests in which he has intervened, the net effect would probably be too incomplete a success to insure his domination of the next Congress. From present indications he is likely to lose in the Georgia primary. If he beats Tydings in Maryland it will be by a close margin. Few experts are risking a guess as to the outcome of his drive against Representative O'Connor in New York. So far he has helped a few favored candidates, lost with others equally favored—and purged no disfavored incumbent out of his party. From the present view, it appears that we will have a three-ring circus in Washington for the next two years—not a one-man show.

THE FUTURE IS UNLIMITED . . . Generations ago the head of the United States patent office boldly asserted that everything worthwhile had been invented. For years theorists have been telling us that the closing of our geographical frontiers meant the end of economic expansion under capitalism. Now comes Roy Helton, school teacher, poet and novelist, to inform us in Harper's Magazine that there is a ceiling close over the head of American industry due to declining birth rate and a jaded national appetite for manufactured goods and gadgets; and that the instability of the past decade marks the painful and generally unrecognized transition from fast growth to economic maturity.

There is a bit of truth in this, but more nonsense. The majority of American families have an annual income less than $1,800 and are inadequately equipped either quantitatively or qualitatively as to housing and virtually all types of physical possessions. To hold that we have reached the limit of material wellbeing is to hold that we have reached the limit of human ingenuity and ambition. We stoutly deny that.

The birth rate, whatever its direction, had nothing to do with most of the great inventions or technological developments of the past—the steam engine, the cotton gin, the harvester, the telephone, the radio, the automobile, the motion picture. Today's ebbing birth rate will not stop the amazing progress of chemical research, the growing application of Diesel power, the march of air conditioning. Only a couple of generations ago many of our present industries were beyond forecast. Who can know what new industries may be born tomorrow?

And even assuming—although it is not true—that we have enough industrial production for our domestic needs, what about the rest of the world? Has China too much of material things? Or Russia? Or South America? Or any of the other dozens of countries whose living standards are far beneath our own? We have the world's biggest supply of gold, machinery, technical knowledge. If we can not use it to improve the lot of human beings both here and in foreign lands it will not be for lack of opportunity. The need is present and will be indefinitely. As for falling birth rate, Mr. Helton is premature in his calculation. We have fewer babies now but babies don't buy goods. The millions of babies born between 1920 and 1930 will become adults—and customers—between 1941 and 1951. It will be a long time before our population becomes static at a level much above our present 130,000,000. We do not have plenty for even the present population, but only potential plenty. Our task is but barely begun.

CONSTANT PROFIT MARGINS . . . Featuring increased wages and more onerous taxation, a great deal has been said and written in recent years on the subject of higher business costs. The underlying cause of all the fuss is fear that these increased costs are cutting into profit margins. Undoubtedly in some instances such fears are well founded, but no general charge that the profit motive is being destroyed can be substantiated. The Treasury Department's figures on corporate incomes for 1936 were released several weeks ago. They show that 203,162 companies had a net income of $9,477,980,000 and that 275,695 had losses of $2,156,055,000. Deducting the losses from the profits and further deducting $1,191,389,000 for Federal taxes, there remains consolidated net income of $6,130,536,000. The gross income of all the companies was $132,276,820,000, so that the consolidated net represents 4.6 per cent of gross after all deductions. On the face of it, this may not appear to be a great deal, *but the return was no larger in* 1928 *and only one-tenth of* 1 *per cent larger in* 1929. It is the generally accepted view that 1928 and 1929 were years of great profit, years of relatively low taxation and years in which, by present day standards, there was no governmental interference with business. On the other hand, 1936 was the fourth year of the New Deal and while it may have gone further since, it was certainly then under a full head of steam. It is possible, of course, that because of the rapidly rising prices, inventory profits crept into the 1936 returns to a greater extent than in 1928 and 1929. A more comforting explanation is to be found in the increased efficiency and attendant lowering of production costs common to nearly all manufacturing.

GAINS CONTINUE IN RESIDENTIAL BUILDING . . . Projected activity in residential construction continues to be one of the most definite signs of improving business. The Department of Labor has just reported that the value of permits for new home building in July were 79 per cent higher than in June and 129 per cent higher than in July, last year. F. W. Dodge figures covering contracts for new housing show July to have made the best showing of any month so far this year and to have been the first month to have been better than the like month of 1937. From the trend of permits one can reasonably expect contracts to make further gains. This is indeed good news, for it is almost impossible to exaggerate how much building construction contributes to the activity of all business. It is of direct benefit to labor and thereby eases the unemployment situation. It helps the sorely beset railroads. It means a demand for appliances, for furniture, for the products of the textile industries. A new house is the one thing to which almost all industry can contribute.

RAILROAD WAGE DISPUTE . . . Mediation of the controversy arising out of the efforts of the railroads to impose a 15 per cent reduction in wages on their workers has broken down. This is unfortunate, although even if neither side yields there can hardly be a strike within less than three months because of the procedure which must be followed under the Railroad Labor Act. There is still hope for a peaceful settlement, of course, but it seems a pity that it could not have been made sooner since the facts are surely clearcut. The plight of the roads is so desperate that even labor recognizes it. However, spokesmen for the unions contend that the primary fault lies with the roads and they must now reap the consequences of past mismanagement. What such spokesmen fail to realize is that it does not really matter who is responsible. They are men in a burning building arguing as to who left the lighted cigarette about.

Stated baldly, the salient facts are these: the roads as a whole are losing money and there is no reasonable prospect that traffic will so pick up in the near future that they will again become profitable. There is more railroad mileage in receivership today than ever before in the history of the country. Further facts—and the ones that should be most convincing to the unions—are that hundreds of thousands of railroad workmen have lost their jobs during the past year or two, that railroad service is being everywhere curtailed in the interests of economy and that railroad mileage is being increasingly abandoned for the same reason. One might add that railroad labor—that part of it that still has jobs—is a privileged class receiving far in excess of what it would receive for similar activities outside the railroad field. Perhaps this last has nothing to do with the case, for one can understand a man wishing to retain an advantage. But even leaving out the matter of simple justice, the case for a reduction in railroad wages can rest simply on the argument that it is to labor's own self-interest.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 608. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, September 5, 1938.

As I See It!

BY CHARLES BENEDICT

WORLD AFFAIRS HANGING IN SUSPENSE

WHATEVER our political viewpoint, the fact remains that world activities and economic progress are being held up by fear resulting from German ambitions. In our own country affairs and markets are waiting on the turn of events in Europe, although the possibilities for economic improvement here are overwhelming. Abroad the specter of war is ever present. Normal pursuits are held in abeyance and private industry stagnates.

Nazi campaigns of terrorism in the various countries on the one hand, English hesitation to act decisively on the other, keep the various governments hopping first from one side to the other in the hope of salvaging themselves no matter what happens.

Notice that Hungary's recent attempt to placate the Germans was not due to belief in the Nazi's cause nor any confidence in it; but because of fear of the ruthlessness of her purge if she eventually came into control of that country.

Roumania, to forestall serious German-inspired minority rebellion, recently showed wisdom in granting a Constitution of great liberality. At least Germany will now have to resort to other means to conquer the Roumanian wheat and oil fields which she is so eager to possess.

England's policy of delay has been a very costly one for her—and for the world. "Muddling thru" may have been all right in the past, but I believe she has carried this pitcher to the well too often. This time she is dealing with an implacable enemy. In permitting Germany to acquire Austria and her assets, Britain has postponed the German financial collapse and enabled her to tune up her war machine. But, *more than that,* she has presented Germany with the key to Middle Europe by permitting her to take Vienna.

Today, by dredging the shallow portion of the Danube and deepening it, (which she has already begun) Germany is acquiring a short route through Austria, Hungary, Yugo-Slavia and Roumania to the Black Sea,—with all the possibilities of economic and political conquest.

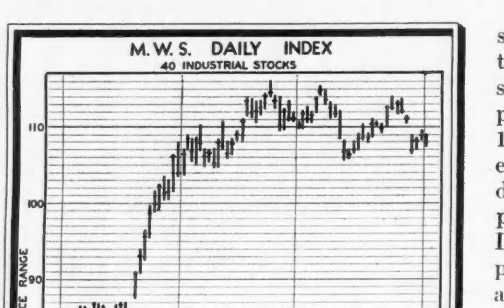
In this latter development we have the first tangible evidence of the practical benefits accruing from the Rome-Berlin pact, which English blundering diplomacy has changed from an expedient into an instrument that is producing substantial benefits. It throws a new light on the congratulatory exchange of telegrams between Hitler and Mussolini at the time of the Austrian seizure, when German troops were on the Brenner Pass. The telegram Hitler sent to Mussolini from Linz in which he said: "I shall never forget what you have done for me today" was a significant expression of appreciation and not a face-saving gesture to a "surprised ally" as was given out at the time.

In the light of today, what could it have meant except that Mussolini had agreed in advance not to oppose the German will in Austria? And why should Mussolini have done so, unless Germany had agreed to give him a free hand in the Mediterranean (*Please turn to page 656*)

Fall Market Outlook

BY A. T. MILLER

The European war scare—dominant external influence in the recent stock market reaction—obscures the near-term picture in more ways than one. It will, of course, remain a disturbing uncertainty while Germany pushes on with military mobilization on the biggest scale since the World War and while Hitler remains undecided whether he can risk invasion of Czechoslovakia without precipitating a general European war in which he would find Britain actively allied with his opponents. The strongest hope of avoiding or postponing such a war appears to lie in the marked stiffening of Britain's diplomatic backbone.



But meanwhile we are in the position of having had a sudden news event frustrate what probably would otherwise have been a significant technical test of the stock market's vitality, for by coincidence the European alarm reached acute form at the very time that the market was bumping into the well defined resistance level, marked out by the July and August highs in both industrial and rail averages, after a fortnight of quiet but persistent advance.

It may be that the market was ready to break out on the upside from the trading range that had prevailed for some weeks, and to march ahead in significant extension of the June-July advance, if bad news had not come from Europe. Nobody can prove otherwise. Nevertheless there is ground for venturing the suspicion that the European situation may not be the only thing the matter with the market at the moment, for the recent reaction did not mark the first occasion on which it turned down from the resistance level above described. As will be noted on the accompanying graph of our daily industrial index, the peaks of the rallies since the third week of July constitute a triple top and by a slight margin the three extreme highs have been at successively lower levels. More inclusive indexes, including our weekly average of 330 stocks, show a still more doubtful technical formation over the past five or six weeks.

A fortnight ago, in advising a cautious policy as to new commitments intended for longer retention, we said:

"We would not be surprised to see the market make one or two more attempts to break through the summer highs; and after it fails to meet with convincing success in these efforts we would not be surprised to see it work irregularly lower into a normal intermediate correction representing cancellation of something between a third and a half of the total advance from the May 31 low."

Our view on the intermediate outlook continues to be just that, and in order that no one may be mislead we will repeat right here that this skepticism and caution has nothing to do with the major trend which, in our opinion, definitely points to ultimate higher prices.

At this writing the immediate setting is one of moderate reaction on small volume. The rail stocks have declined by a full point under the low of August 13, after having twice failed to equal their July high. Our industrial index is less than 2 points above its August 13 low. It is possible that the current pressure on rails is somewhat accidental, reflecting public misinterpretation of the breakdown of mediation in the rail wage dispute and of the routine announcement of the unions that a strike ballot will be taken—this following announcement of deferment of interest payment on a Nickle Plate bond issue which had already unsettled the rail bond market. The rail wage issue will follow the course prescribed by Federal law and no final showdown is likely before mid-November at the earliest.

At any rate the technical significance of the dip in rail shares under the August 13 low should soon be made clear, as it will take a fairly prompt rally to refute the sum total of technical evidence tentatively pointing to further reaction in this group. It need hardly be said that breaking of the August 13 low by the industrial average, especially if accompanied by larger volume and simultaneous further reaction in rails, might usher in substantial general reaction. There is an equally good chance, however, that some relaxation of the European tension—brought about by British pressure on Hitler—will bring about a rally. In the latter event we would reason that the technical stalemate evident for some weeks had merely been preserved for a while longer, that the odds would continue against important betterment of the summer highs in the averages at this season, and that, in general, there is no need to hurry into new commitments for either intermediate or long term purposes.

The market's technical stalemate reflects a lack of conviction as to near-term developments. We believe the longer business outlook is favorable but doubt the need of haste in intermediate trading or investment purchases.

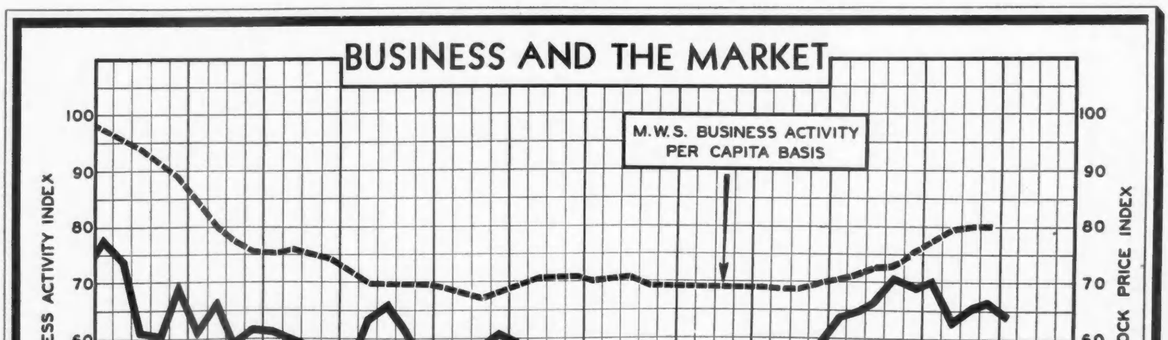
Every significant movement of the stock market reflects a composite and usually well informed opinion as to the future trend of business volume and corporate earnings. The rapid June-July advance anticipated a business improvement and the composite judgment thus reflected has been confirmed by notably sharp rise in the business indexes over the past six weeks. A trading range market, however, backing and filling without decisive net change over a period of weeks, reflects an absence of solid conviction among informed investors and business men as to what lies ahead. That appears to be the situation at present. The fastest part of the recovery in stock values occurred while the published statistics of business were showing only modest gains.

From an intermediate point of view, we believe the doubts persistently reflected by the market in recent weeks are justified. Our business index has already recovered 36 per cent of the entire depression decline and the rate of gain has shown a slackening tendency over the past fortnight. The speed of the rebound raises a question as to whether the increase in production may not have outrun improvement in actual consumption demand, as to whether certain artificial elements may not have exaggerated the rise and as to whether a major part of the widely expected autumn gain in the adjusted business index may not have been seen during July and August.

With regard to possible artificial elements in the picture it is pertinent to note that two components of this publication's adjusted index—cotton cloth output and lumber shipments—have each recovered 70 per cent of their entire depression decline. Both are low wage industries which will be considerably affected by application of the wage-hour regulation adopted by the last session of Congress. Cotton textiles are subject to a relatively fast cycle. Taken by itself, the sensationally fast upturn in this index might not be open to suspicion. But as it is accompanied by the same phenomenon in lumber shipments, the coincidence appears to point to considerable temporary activity in anticipation of higher costs under wage-hour regulation—the whole being somewhat reminiscent of pre-N R A weeks.

Over the near term, therefore, the market is confronted with uncertainty as to the scope of business gains during the closing months of the year, with uncertainty as to European developments and with uncertainty as to our Congressional election. We doubt that this is the setting for a nearby dynamic extension of the bull movement.

No doubt good stocks purchased at present levels can reasonably be expected to show substantial appreciation in time. Barring major European war—which would be a temporary shock and thereafter a highly inflationary reality—the longer term business outlook in this country seems to us decidedly hopeful for reasons we have previously advanced, including heavy Government pump priming in the months ahead, the encouraging recovery in private new capital financing, the rising curve of national income payments from a depression low less than 12 per cent under the 1937 peak and the somewhat more hopeful political trend now indicated. The only question is whether the longer term purchaser may not get a moderately more favorable buying level by waiting awhile. In our opinion, he probably will.



As Business Sees Its Own Future

Most Executives Only Moderately Hopeful but Uptrend of New Capital Financing for Expansion Speaks Louder Than Words

BY JOHN D. C. WELDON

In expressions of opinion to The Magazine of Wall Street and otherwise—some statements informal and confidential—some for the record—most business men say they are reasonably optimistic for the balance of this year, generally hopeful for 1939, but without firm conviction for more than a few months ahead.

Like the rest of us, business men are human. Some of them remember, with chagrin, optimistic public utterances at what proved to be the top of the last recovery cycle. Nearly all become cautious in opinions and statements when depression is in full swing and remain cautious in the early phases of recovery. For that reason, even moderately bullish forecasts by business men in their present realistic state of mind carry considerable conviction.

Moreover, actions always speak louder than words; and more significant than anything business executives *say* today is what they are *doing* today. They are raising new capital for expansion and modernization of facilities at a rate almost equal to that in the summer of 1937 and far above that of 1936. In other words, within the first three months of the present recovery, long term business financing has attained proportions that it required nearly *five years* to attain in the first New Deal recovery.

That is an arresting fact. It means that business investment is already supplementing the still slow stimulant of Government pump priming in really important degree. It appears to indicate probability of a faster recovery in the durable goods industries than has been expected by skeptical economists who view the recovery outlook almost entirely in terms of Government borrowing and spending.

What Business Thinks of Business

In this early stage of economic recovery we find business men generally much more cautious in their expressions of hope than was the case in the late phases of the first New Deal recovery. This is apparently a psychological "hangover" from the recent Roosevelt depression rather than a skepticism based on tangible evidence, for most acknowledge that the trend of their own volume is upward and is likely to continue so at least for the rest of the year. More significant than expressions of executive opinion is the fact that corporate new capital financing for expansion or improvement of facilities in recent months has reached a level far above that at this season in 1936 and but moderately under that of a year ago.

For convenience, this article will turn its attention first to new capital financing and second to a summary of collected business opinions and forecasts.

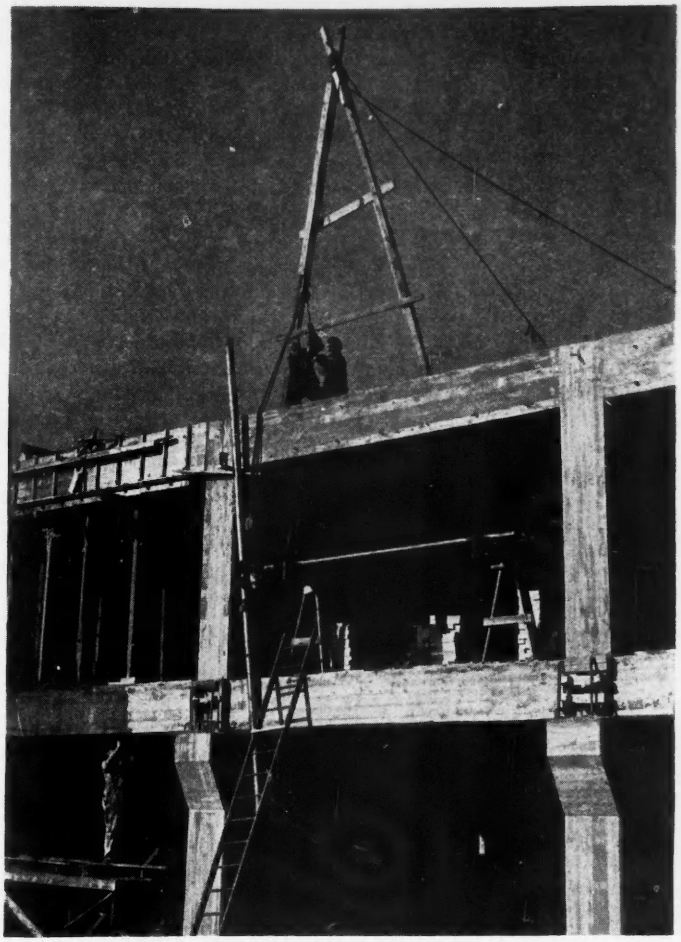
While new capital financing by corporations in August was less than $25,000,000 and far under the levels of July and June, new offerings now under preparation make it certain this is a temporary lull. Coming soon in the industrial field is a $30,000,000 Youngstown Sheet & Tube offering, while Firestone Tire & Rubber has a $50,000,000 issue on the fire. Several important new capital issues by utilities are also on the way.

The new capital financing now in prospect and that in the relatively active movement of June and July is significant in several respects. First, the June-July total of $328,013,000 was less than 9 per cent under the total for those two months in 1937 and was 49 per cent larger than for the same months of 1936. Second, proportion of total new capital financing in this period represented by industrial enterprises was more than double what it was in 1936, was but moderately less than a year ago, showed a much more pronounced upward trend than utility financing and contrasted with sharp decline in rail financing. Third, for obvious market reasons, raisers of new capital resorted almost entirely to bond issues, with preferred and common stock issues representing less than 4 per cent of the June-July dollar volume, against 34 per cent a year ago and 27 per cent in 1936.

Industrial new capital financing—with steel and oil

accounting for by far the greater part of it—totaled $261,009,000 for the two months June-July, as compared with $227,183,000 a year ago and $73,165,000 in 1936. The striking percentage gain over 1936 cannot be accounted for by any change in money market conditions. As is the case today, money was cheap in the summer of 1936 and the bond market trend was favorable. The chief difference must be in the attitude of industrial management, whatever the reasons. Industrial volume now is, of course, smaller than in 1936 but if we can judge by new capital financing, industrial management in this very early phase of recovery must be more confident of the future than it was as a high level of activity two years ago.

As compared with the '20's, offerings recently, as also in 1935, 1936 and 1937, tend toward bonds and away from stock issues. There are several reasons for this. At no time under the New Deal have conditions been as favorable to sale of stock issues as during the 1923-1929 period. On the other hand, the inducements for raising capital through bond issues under the New Deal have been far greater than at any time in that historic "New Era" of prosperity. Chief among these factors has been availability of low coupon rates and a huge reservoir of investment funds in the hands of institutions not legally able to buy common or preferred stocks. Tax changes have also been a factor, no income tax being paid on earnings applied to bond interest. Finally, the popularity of convertible issues has increased greatly in recent years and—whatever stockholders may think about the possible dilution of their equity—this type of financing is far more attractive to corporate management than stock financing and is likely to remain so for an indefinite time. The reasons are that, if two bond issues are of equal credit rank, a lower coupon rate can be obtained on the convertible issue, and the new stock provided for conversion is optioned at prices usually considerably above the market instead of being sold at a discount as must be done to insure success of stock issues offered shareholders.



Charles Phelps Cushing Photo

Construction scene of the recently completed addition to Crown Cork & Seal's Philadelphia Plant.

Volume Still Sub-Normal

Having given the bright side of the financing picture, let us state here that we have no desire to exaggerate it. Total new capital issues of a kind contributing to expansion of the capital goods industries is still very small as compared with the average during the sustained prosperity preceding 1929. The latter period was abnormal, however, and can hardly serve as a valid standard. We could probably achieve a satisfactory prosperity on a volume of new capital financing half that of 1923-1929, especially since it must be remembered that the reinvestment of surplus business earnings has always been a considerably more important source of economic expansion than open market financing. Thanks to virtual abolition of the noxious undistributed profits tax, the latter process will play its normal stimulating role in the present upward business cycle, while revision of the capital gains tax will tend to unlock at least one of the shackles which the New Deal placed on market financing.

Opportunities for market financing today are restricted to relatively large corporations. This is partly a matter of credit rating and partly a matter of costs which potential seekers of financing are unwilling or unable to meet — costs inherent both in the existing underwriting-distributing set-up and in the elaborate requirements that must be met in preparing any issue for S E C registration. All signs suggest that under Government sponsorship some day—and not in a dim future either—the capital reservoir will be opened to enterprises of small and moderate size not now able to attract the interest of underwriters. For that matter the underwriting-distributing field has not had a recovery in business proportionate even to the moderate revival in financing—the fact being that over the past two years more than one-third of all corporate financing has been placed privately, circumventing both S E C registration and the existing regime of underwriters, distributors, dealers. Just exactly how much this state of affairs is due to the S E C and how much to possible deficiencies in present security merchandising methods is a debate this writer will not venture into. The fact

remains that through mid-August the known issues placed privately this year exceeded $300,000,000 and compared with public bond financing of corporations amounting to $628,665,000. Last year the known total of privately placed issues was around $500,000,000 and it probably will be equalled by the close of this year. There is no complete list of private sales, such transactions becoming known only when made public by either buyer or seller.

The great majority of recent issues have been of high grade and have so far commanded premiums over initial offering prices. Two exceptions were the recent $10,000,000 Crucible Steel issue and a $7,500,000 Industrial Rayon issue, both of which have depreciated substantially under prices at which they were brought out. Since neither development can be explained by any significant change in the trend of the bond market, the conclusion would seem to be that these offerings were over-priced or were not successfully merchandised into ultimate investment hands, or a bit of both. Underwriting syndicates apparently are still prone to continue the merchandising methods of the twenties (in which the secondary distributor holds the bag), even though the tombstones of various formerly prosperous bond houses mark their course.

Two individual offerings — $100,000,000 by United States Steel and $85,000,000 by Standard Oil (New Jersey) — figured prominently in recent financing, as partially listed in a table accompanying this article. In some instances new capital financing is partly for the purpose of paying off bank loans temporarily obtained for plant programs pending market conditions favorable to financing, and in other instances the proceeds of an issue are partly for refunding, partly for plant expansion or additional working capital or "general corporate purposes." No complete breakdown of financing that means near-term spending for new facilities is feasible.

Nevertheless the present clear-cut major revival in offerings that can properly be described as chiefly for purposes of future expansion of facilities inevitably points to a coming rise in capital goods activity as one of the most promising elements in the economic outlook. In addition a great many companies are financing expansion programs out of plentiful supplies of their own cash, without market financing. This is notably true in the chemical and automobile fields and to a lesser extent in steel, paper and other lines.

Whether it be due to competitive necessity, increased confidence in the political outlook or what not, it is a safe generalization that the additional capital investment being risked by the average corporation today makes a more optimistic picture than will be painted by the expressed opinions of the chief executive of that same corporation, as he usually dreads forecast.

In the motor field sentiment is optimistic but not rampantly so. The head of General Motors says he is moderately hopeful but unable to guess what next year will hold. Smaller manufacturers in the same field go a bit further, generally predicting greater than seasonal gains in sales for the remainder of this year and looking for further gradual expansion of demand during 1939.

Similar variations of view are apparent in farm equipment and tractors. One of the largest companies in this industry saw the low point last December, had a seasonal upturn during the first half of this year and notes a slight betterment at present which it believes justifies reasonable optimism for 1939. In contrast another large company in the same field is not particularly hopeful, detects no improvement to date in new orders and doubts that the rest of the year will bring it much betterment.

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Steel men believe fourth quarter automobile production will give their industry at least a further seasonal rise, but expect motor output to be from 20 to 30 per cent less than in the fourth quarter of last year. Despite extensive modernization of plants in recent years, the steel pay point has been generally raised by present unsatisfactory price levels. This contributes to caution in appraising the profit outlook for the rest of the year.

A leading rayon producer reports a very sharp improvement in shipments during recent months and is optimistic both as to the rest of the year and 1939. The head of a big cotton textile enterprise takes a much more cautious view, although noting some betterment in sales.

A prominent brass fabricating (*Please turn to page* 655)

Money Talks

Recent important new capital issues include:

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Crucible Steel	10,000,000
Scott Paper	3,142,500
Jones & Laughlin Steel	13,500,000
Crown Cork & Seal	10,000,000
Standard Oil (New Jersey)	85,000,000
Industrial Rayon	7,500,000
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United States Steel	100,000,000
Shell Union Oil	25,000,000
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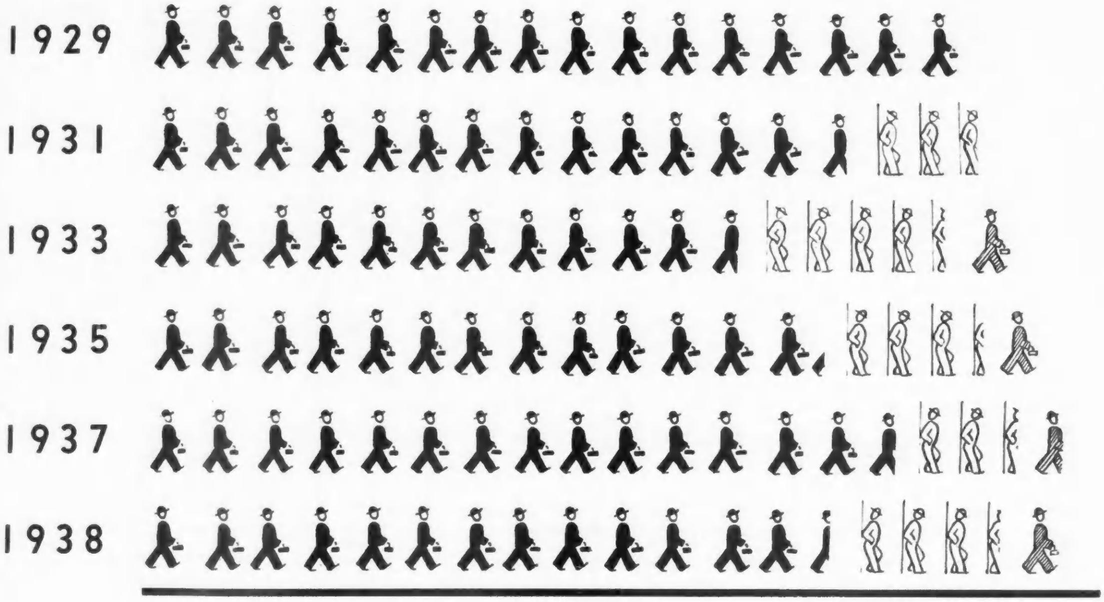
Philip Morris	7,787,300
General Foods	15,150,000

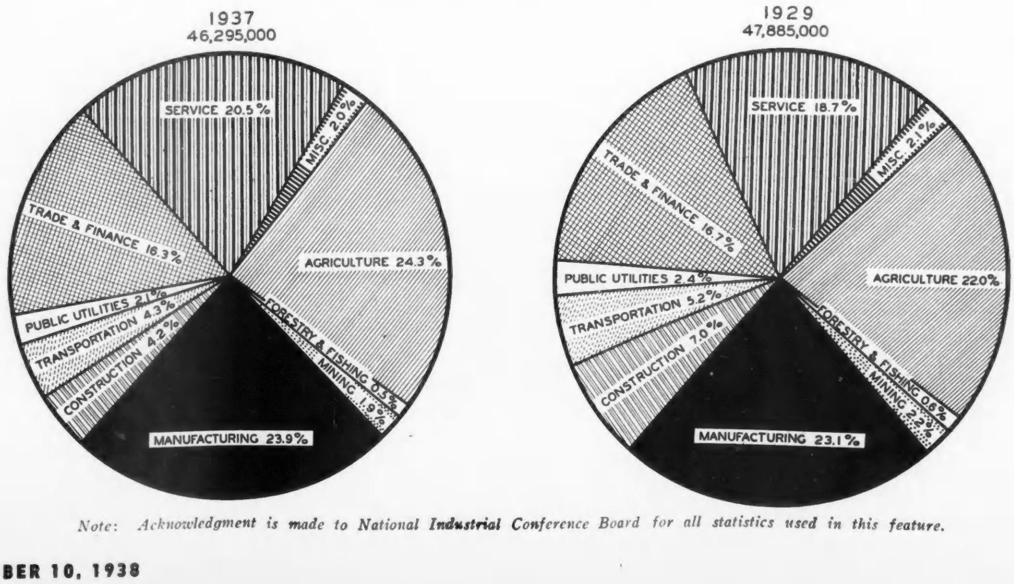
Economic Problem No. 1–Unemployment

The number of employable workers in the United States has increased about 10 per cent since 1929. At the depth of the depression 25 per cent of the total, or 12,773,000 were without employment. As recovery set in this proportion shrank to 10 per cent by September of 1937, but in the subsequent decline, unemployment increased sharply again so that by June 30 one worker in five was without gainful employment, as shown below.



Legend: Each figure represents to 3,000,000 individuals.

HOW EMPLOYMENT HAS SHIFTED AMONG VARIOUS INDUSTRIES



Note: Acknowledgment is made to National ***Industrial*** *Conference Board for all statistics used in this feature.*

remains that through mid-August the known issues placed privately this year exceeded $300,000,000 and compared with public bond financing of corporations amounting to $628,665,000. Last year the known total of privately placed issues was around $500,000,000 and it probably will be equalled by the close of this year. There is no complete list of private sales, such transactions becoming known only when made public by either buyer or seller.

The great majority of recent issues have been of high grade and have so far commanded premiums over initial offering prices. Two exceptions were the recent $10,000,000 Crucible Steel issue and a $7,500,000 Industrial Rayon issue, both of which have depreciated substantially under prices at which they were brought out. Since neither development can be explained by any significant change in the trend of the bond market, the conclusion would seem to be that these offerings were over-priced or were not successfully merchandised into ultimate investment hands, or a bit of both. Underwriting syndicates apparently are still prone to continue the merchandising methods of the twenties (in which the secondary distributor holds the bag), even though the tombstones of various formerly prosperous bond houses mark their course.

Two individual offerings — $100,000,000 by United States Steel and $85,000,000 by Standard Oil (New Jersey) — figured prominently in recent financing, as partially listed in a table accompanying this article. In some instances new capital financing is partly for the purpose of paying off bank loans temporarily obtained for plant programs pending market conditions favorable to financing, and in other instances the proceeds of an issue are partly for refunding, partly for plant expansion or additional working capital or "general corporate purposes." No complete breakdown of financing that means near-term spending for new facilities is feasible.

Nevertheless the present clear-cut major revival in offerings that can properly be described as chiefly for purposes of future expansion of facilities inevitably points to a coming rise in capital goods activity as one of the most promising elements in the economic outlook. In addition a great many companies are financing expansion programs out of plentiful supplies of their own cash, without market financing. This is notably true in the chemical and automobile fields and to a lesser extent in steel, paper and other lines.

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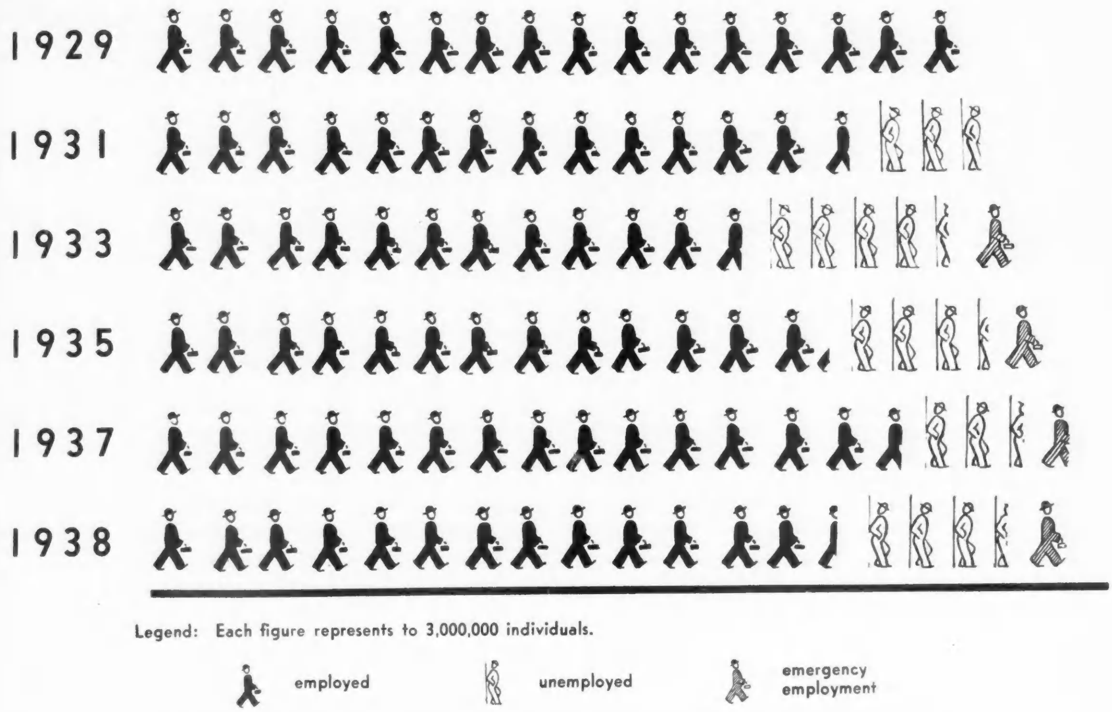

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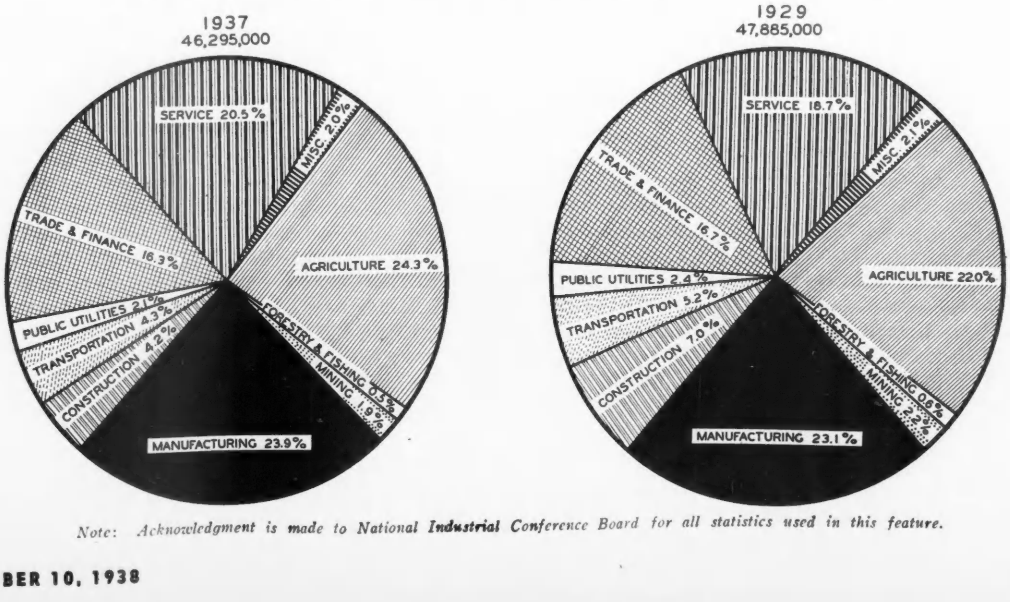

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Gendreau

The Threat of Collapse in European Currencies

How Real Is It?—Will Decline Overshadow American Security Markets?

BY WILLIAM J. BLAKE

After an absence of eleven years, Mr. Blake returns with this article to the pages of THE MAGAZINE OF WALL STREET. *A lifelong student of money, foreign trade and exchange, his broad and varied European experience in the past decade brings added authority to this vital subject. His name will be familiar to many as the author of the current novel The World Is Mine.—Editor.*

A NEW fear is gripping European investors. Habituated as they are to living in a mad dance of currencies and the slipping away from under their feet of the very foundation of values, money, they had become accustomed since 1933 to suspect the American dollar rather than the sterling *bloc.* In the spring of 1935 the anticipated devaluation of the Belgian franc sent the pound down to \$4.70½ and gold in London reached an all-time high of over 148 shillings a fine ounce. But apart from this passing but gentle fear, the pound's supremacy has been unquestioned for years. American economists have vied with the British in contrasting vividly the "balanced" budget of England and the "adroit" financing of Chamberlain with the "crazy deficits" of the United States. The conclusion was obvious, the pound was built on a rock and the dollar on vaseline. Even the major currency catastrophe of the French franc in September, 1936, shook the pound only from \$5.06 to \$4.87¼, from which level it recovered easily. As late as last spring the undertakers of the dollar wore expensive crepe for our currency in London and expensively paid for their morbid fun in heavy carrying costs and large margins.

At the time of the abdication of Edward VIII, a canny Scot, member of Parliament for the district in which Adam Smith discovered economics, Kircaldy, pointed out that the abdication, nominally centering about a woman, in reality reflected a budgetary and currency crisis, so delicate that it could stand no scandal around the central figure of the state. He stated it would become patent in about eighteen months and he has proved right even as a time prophet. This summer whispers about the pound are as loud as they had been about the dollar. The sober British press no longer vaunted the resistance of their country to our industrial decline. They were sliding too. Their trade deficit for seven months reached a record high of 235 million pounds. And this import deficit was attained even though a world deflation in commodities had made purchases cheaper for the world's greatest importer.

This made bankers in London still more sober. England looks to her "invisible" income from investments and insurance and shipping to make good her trade deficits. Here the foundations of her income from investments and services was weakening with the decline in the value of wheat and corn from the Argentine, wool from Australia, etc. She was being clipped at both ends.

As is usual, an extraordinary situation makes men reflect on the obvious. The balanced budget of Chamberlain was seen to be a step-sister of the Schacht method of Nazi financing. The British State refused to pay the American debt or provide its sinking fund and used the differential, refused to the Yankees, to finance rearmament. Mexico "balances" its budget in similar style. The Exchange Equalization fund, accounted for at rare intervals and then not too lucidly, remained an unknown factor almost rivalling in extent the acknowledged issues of currency of the Bank of England and the treasury notes. Taxes were raised to 5/6 in the pound, or a base rate of 27½ per cent. Borrowing went on fast and furiously. The burden of rearmament grew.

Then sober Englishmen called on their memories. The crisis of 1931 when the pound crashed miserably under foreign attack, when the patriotic bankers of England sold their country short to the tune of 50 million pounds in a day, were ever present. Thoughtful men remembered the mutiny at Invergordon where the British sailor told admirals to go chase themselves when it came to a question of a pay cut. The balanced budget of Chamberlain was seen resting on a thinly disguised inflation. Currency inflation alone was notable—so was debt—so was the exhaustion of the recovery movement stimulated by artificially cheap money. Housing declined. Some of the mushroom building and loan societies passed out. Unemployment rose despite the voracious appetite of rearmament. The position of sterling was scrutinized anew.

The trade recovery of Chamberlain was based on American recovery. From September, 1931, when the pound was devalued, to March, 1933, when the dollar shook with gripes, the advance of industrial values and economic gains in Britain were modest. Not even the conversion of 1932, the triumph of induced cheap money, had a serious lasting effect. By the end of 1932 the position of England was simply that of having clotted her blood flow. For merely that she had lost a third of her currency value! But when the American government, with that lunatic generosity that has always characterized the Americans, began paying more for gold than it was worth commercially, when it paid an artificial price for silver whose natural level is incredibly low, when it took Empire rubber and tin at fancy prices, a whirl of recovery set in.

Roosevelt paid the piper with his deficits and Chamberlain took the bow. His rickety recovery based on protection, on the loss of England basic export markets in favor of a temporary dodge in the re-creation of light industries in the island, his trick cheap money based on the complete loss of Britain's position as the world's lender, his show of cards whereby England was sacrificed in every vital principle for a shoddy and temporary "prosperity," this miserable performance was saved only by impresario Roosevelt. In 1938 serious men remembered that that was the real basis of their imposing industrial build-up, since it provided the structure of Chamberlain with American donated golden bricks.

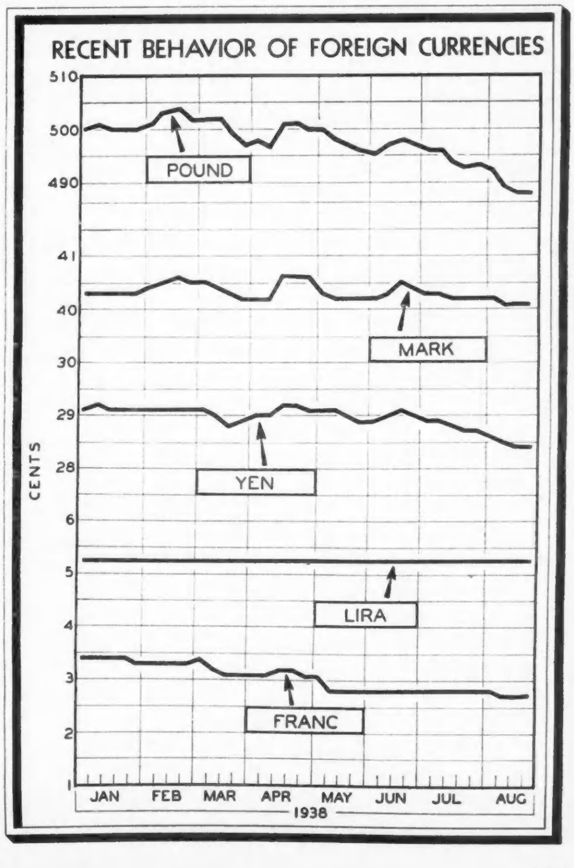
When the deflation market set in with the scare that Roosevelt would *lower* the price of gold (March, 1937) world recovery came to an end. Everyone thought in reverse. Sterling was suspected. Its weaknesses were discovered as relentlessly as Noah's nakedness. British share values went down by a third. England is not a land of hysterical speculators who hang about board rooms, so that swings of the market are usually less pronounced there than here. This decline, therefore, is more significant than the same decline in our market.

The Exchange Equalization fund at London, in order to protect the pound, has been caught in its own devices. It has had to carry on, in 1938, a policy of gold sterilization that is extremely deflationary. This policy of deflation has coincided with the American policy of increasing excess reserves. Excess reserves in the Federal Reserve were doubled between February and July. Pump priming was attempted and an inflationary current set in. Values rose on the New York stock market in June, and only the abundance of crops worked against commodity values. Wherever commodity values openly reflect currency policy, their tendency, if not to gain, was at least to stop losing. And this despite the deflationary policy in the leading commodities market, England.

So far the American policy has prevailed. The British market, nearly lost to hope, has again shown decent if not impressive gains since the American tide turned in June. We are still a more decisive factor in building values than the pivotal British importing market. Even the war scares, now more insistent than ever, has not overcome American recovery.

British opinion would be more reassured were it not for the ever-lasting prods of the dictator countries. And British opinion is right. Despite the impressive catalogue of what is wrong with sterling, there is no immediate danger of a currency crash, unless the British treasury would require it. And at this moment it is clearly to the advantage of an excessive importation country to keep its currency high since its problem is rather to buy with fewer pounds than to export for less pounds.

Nor is there any need to give way. The Exchange Equalization fund is still well garnished with gold. Plenty of gold rolls in from the producing areas in South Africa and Australia. Every shilling advance in the price of gold calls up a few more sales of that precious commodity from the rapidly thinning but still available hoards of India. The (*Please turn to page 652*)



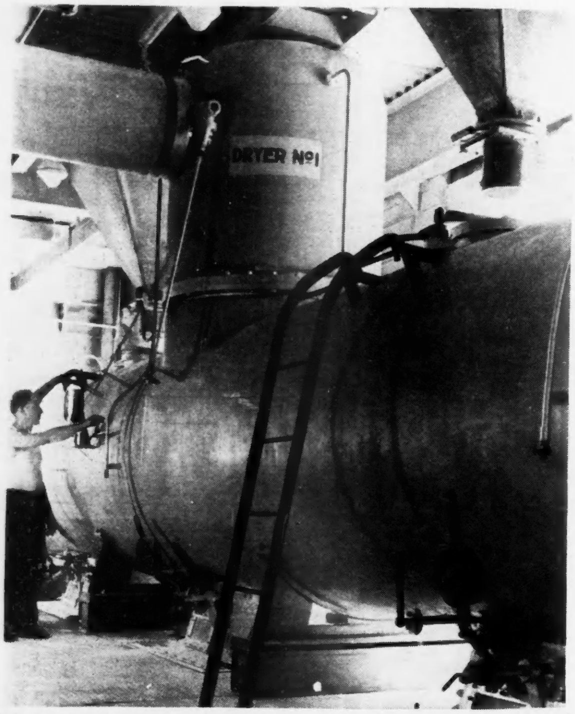
New Horizons for Chemical Development

New Products Give Dynamic Potentialities to Leading Manufacturers

BY JAMES A. LEE

(Managing Editor, Chemical and Metallurgical Engineering)

THE late Arthur D. Little once said, "Industries age like human beings. They have the hazards and diseases of childhood, the capacity for vigorous youth, the stability and strength of maturity, and the conservatism and atrophy of age. The railroads are old. The automobile approaches middle age. But the chemical industries are still in their energetic and elastic youth with their greatest achievements still ahead of them." This statement is just as true today as it was at the time Dr. Little made it. As a result of research revolutionary changes are constantly taking place within the chemical industries.



This huge drier made of stainless steel and aluminum is part of Hercules Powder's equipment for the production of cellulose acetate—to be used as a plastic.

Almost any day a synthetic may replace a natural product or an entirely new and different material may supersede an established one.

The synthetic organic division of the chemical industry has a brilliant future ahead of it. The Carbide and Carbon Chemicals Corp., one of the first to enter the field, is constantly adding to its list of new solvents, wetting agents and other new synthetic products and is rapidly expanding manufacturing facilities. Only recently plans were announced for the third plant to be located in southern Texas. The Shell Chemical Co. and the Standard Oil Co. of Louisiana deserve great credit for the remarkable attainments with this same type of chemical.

The chemists and engineers of the Commercial Solvents Corp. after several years of work have successfully developed an entirely new group of synthetic organic chemicals, the nitroparaffins. They are excellent solvents for resins, waxes, fats and dyestuffs, or can be converted easily into emulsifying and detergent agents or numerous other interesting products. The possible applications are almost countless, however, and it is still far too early to hazard a prophesy regarding their ultimate value to the company in terms of dollars and cents.

But nitroparaffins are not the only important recent development to the credit of this resourceful organization. Another is "hot lacquer." This development consists essentially in: (1) the formulation of a new type of nitrocellulose lacquer which has a content of solid, film forming material as high, or higher, than that of synthetic resin finishes; therefore, this new finish is capable of coating any object with as few, or fewer, coats than are required when synthetic resin finishes are used; and (2) a method of applying the new lacquer at elevated temperatures, thus permitting any object, such as an automobile, to be finished with fewer coats than heretofore and at considerably less cost than has been the case in the past.

The Masonite Corp. after an extensive research program has erected a semi-commercial plant to recover as byproducts ten or twelve chemicals from the wash waters in its big wall board mill. And if present indications are confirmed it will become a large producer of some of the

most important solvents and kindred chemicals that are in use today.

Through an exemplary application of chemical engineering the Monsanto Chemical Co. has successfully developed the large-scale production and utilization of phosphorus, the element which has so aptly been called "one of the most remarkable of the many remarkable substances known to the chemist," in such a way as to open up an entirely new field for chemical industry. Thus phosphorus —now available in tank car quantities— becomes the keystone in a building program that typifies an outstanding phase of industrial progress during the past two years.

Phosphoric acids of grades and strengths not previously available are now ready for the market. Other derivatives of novel properties may shortly be expected. And it may well be that new and greater strengths of phosphroic acid will stimulate scientific study and reveal important economies in new industrial applications.

When market surveys indicated that cellulose acetate for molding and other purposes was destined to have a remarkable future, the Hercules Powder Co. laid its plans to enter the field. Extensive research investigations resulted in a process that is unique in this country and there was constructed a year ago a plant to produce the plastic. Since that time the plant has established a splendid record and is now being doubled in size.

Genareau.

Constant research and experimentation in laboratory and plant is responsible for continued expansion and a stream of new products of the chemical industry.

The rayon industry appears to be on the verge of another great expansion program. The type of rayon known as staple fiber has been somewhat slow to get started in this country. Last year only 20,000,000 lb. were made, but this situation is destined to be changed. The American Viscose Corp. is completing the erection of a mill which will have a capacity of 25,000,000 lb. per year. The Industrial Rayon Corp., Celanese Corp. of America, E. I. du Pont de Nemours & Co., Tennessee Eastman Corp. and others are either greatly enlarging their existing plants or are building new ones at the present time.

One of the principal reasons for the increasing popularity of the staple fiber variety of rayon is that by treatment with certain synthetic resins, fabrics of very unusual characteristics can be obtained. The washable chintz, non-wrinkling linen, wool-like material, and so forth, have been the outcome of the splendid work of the research chemists of the Rohm and Haas Co. and other synthetic resin manufacturers.

Notwithstanding the fact that the qualities of rayon have been steadily improved there is always the possibility of the development of some other synthetic yarn that will replace or supplement rayon. One such possibility is Vinyarn which is in the process of development by the Carbide and Carbon Chemicals Corp. It is spun from the synthetic resin, Vinylite, which the company has been marketing for numerous applications. One of the outstanding characteristics of the new yarn is an elasticity comparable to that of silk which is unique among synthetic fibers.

Another threat to the rayon industry comes from du Pont, strangely enough one of the largest manufacturers of this fiber. Research work is said to be about completed on a textile fiber that is strong and elastic and will be particularly suitable for hosiery. This non-cellulose base fiber is being tried out for stockings and other purposes, and if it proves to be a success will probably appear on the market sometime next year.

For years every part of the pig except the squeal has been converted into some useful product, but now the chemical industry has found it can make a synthetic bristle which is superior to that of the hog for toilet brushes. Exton, a new bristling filament is one of the many new developments to come out of the research laboratory of the du Pont organization in recent months. The present production is limited and the entire output is being used in the company's own tooth brush manufacture.

The new filament is ultimately expected to replace the natural hog bristle which has heretofore been used in the best grades of toilet brushes. Made in the form of a plastic batch it is extruded through holes of the required size and can be made into strands of virtually any desired length. It is not softened by water or saliva.

Another du Pont achievement that is hailed by many authorities as the greatest *(Please turn to page 652)*

Happening in Washington

BY E. K. T.

War scare has U. S. diplomats genuinely worried, and they are watching Europe more closely than ever. If war comes, Roosevelt would like to throw moral and economic weight of U. S. on side of democracies without involving actual use of arms if this can be done. His mutual defense proposal to Canada was a feeler in this direction. Reports are England has asked U. S. to defend her Pacific interests during European war.

Military expenditures, already at peace-time high, will be further increased next year, regardless of European situation. Both Army and Navy are planning increased budgets.

Neutrality act revision will be sought by Administration to permit executive discretion in application. If granted, Congress may couple it with tax plans to prevent munitions profiteering and "take profit out of war."

Political ethics, as exemplified in recent primaries, apparently are at low ebb if not actually scandalous in many cases. Senate campaign funds committee is swamped with work, trying to do conscientious, non-partisan job. Pressure on federal employees and beneficiaries is most difficult problem to solve, but there is recognition that this problem will get worse in future unless steps are taken. Many plans for expanding corrupt practices act are under consideration and some legislation will be sought though previous efforts in this direction have failed. Big fight will come on proposal to prevent federal employees from contributing to campaign funds; some think present law, rightly interpreted, already does this.

WASHINGTON SEES—

New Deal in danger from the left.

War scare reflected in administration.

"Un-American" disclosures harming C I O and New Deal.

Wagner act amendments possible.

A A A forced into price-fixing.

More radical farm laws being proposed.

Federal subsidy demands growing.

Monopoly probe plans still in formative stage.

Broadcasting probe by F C C will reach public hearings stage within a month, with chains already preparing defense of their policies. Big question is extent of economic power chains have over affiliate stations and its effect on station profits, local advertisers, program quality, and dissemination of information on public questions. Some in F C C are already prepared to recommend wide changes in communications act.

Price maintenance cause gets set-back through abandonment of W P A's ambitious marketing laws survey, ostensibly to avoid conflict with monopoly probe. Survey was believed to be friendly to price maintenance and designed to bolster Tydings-Miller law, but Leon Henderson, P W A economist and monopoly probe coordinator, violently opposes price fixing. Discontinuance of survey followed a month of inner circle bickerings. Monopoly group has not yet decided what distribution studies to make, but any survey of retailing is certain to be far less friendly to price maintenance than the one abandoned.

Civil Aeronautics Authority is starting out well with non-political appointments and policies. After routine preliminaries are disposed of, big job will be study of air mail pay, designed to improve airline earnings and eliminate ridiculously low contracts, and survey of airport needs in key cities. On basis of later survey Congress may appropriate federal aid to assist cities on basis similar to state-U. S. highway construction.

"Red" badge pinned on C I O leaders by A F of L witnesses at House un-American inquiry will seriously injure C I O cause even if charges are not proved. A F of L did

a good job of smearing and C I O is already wincing. Committee investigators claim evidence that Germany and Russia sponsor and direct activities of fascist and communistic groups here, boring from within ostensibly innocent organizations. Tightening of naturalization, deportation, espionage, propaganda laws will be recommended, but little legislation is expected.

Dies committee disclosures that "un-American" influences reach men in high administration posts, painting them as perhaps unwitting stooges of subversive forces secretly dominating organizations with noble titles, will do the New Deal no good in certain quarters, and the rumor is that is one object—that Representative Dies, a conservative and ambitious Texan, consulted with non-New Deal Southern Democrats as to possible course of his investigation and was not told to soft-pedal any hints that the New Deal is honey-combed with "reds." Efforts of New Deal publicists to pooh-pooh a red-scare as another Dr. Wirt nightmare lends color to this rumor.

Wage-hour law administration is shaping up slowly with evidence of careful and practical approach. Much spade-work will be done by time law takes effect Oct. 24. Business conferees report cooperative and realistic attitude on such preliminary problems as fixing scope and personnel of industry committees. First industries to be asked to boost wages above statutory minimum are those which are mass production, large employers, relatively low-wage, and clearly interstate, but if other industries want to go ahead voluntarily they will be accommodated.

Social security extension to millions of workers now exempt will be recommended soon by S S Board. The additional tax receipts in early years would make big dent in the deficit, and increased obligations would not be felt for many years. Congress may plug some loopholes but is expected to balk at applying taxes to employers of farm and domestic help.

British labor law report contains inferential rebukes for both union extremists and recalcitrant employers, and is more of an endorsement of the Wagner act than ammunition for its amendment. It counteracts misapprehension of certain employer groups that English laws impose severe restrictions on strikes and picketing, but also shows British experience does not favor closed shop, check-off, compulsory arbitration, legally enforceable contracts, sympathetic strikes, jurisdictional disputes; is strong endorsement of collective bargaining, condemnation of strikes and violence; points way for C I O and A F of L to reach peaceful working agreement.

Wagner act revision seems assured in next Congress as Administration bows to inevitable. Roosevelt's reappointment of D. W. Smith to N L R B over A F of L opposition coincided with his consent to consider amendments, indicating his continuing desire to appease both labor groups. With opposition to Wagner act increasing all over the country, he would prefer to have the law revised slightly by its friends rather than be drastically amended by its enemies later.

Wide World.

Representative Dies, Texas, Conservative Non-New Deal Democrat whose Committee Investigation of un-American activities has implicated red in C I O and disclosed subversive influences reaching men in administration posts.

Magill and Berle resignations from sub-cabinet posts do not indicate intra-administration strife, since neither intended to remain in government long. Magill's departure was expected and Hanes has been groomed to take his place as Treasury's tax policy man. Berle's place in State Department was anomolous anyway, and chiefly for purpose of advising Roosevelt on particular questions. Both will remain unofficial administration consultants.

Farm troubles mount as production is up, prices down, despite increased controls and subsidies. Problem is same in nature, though not yet quite in degree, to that faced by New Deal in 1933, though New Dealers won't admit it. Corn, wheat and cotton farmers are all dissatisfied with restrictions and loan rates, jealous of each other, and A A A is much worried over suits by tobacco growers challenging constitutionality of 1938 act. Wheat export subsidy is a stop-gap and conflicts with earlier administration policies; though details of transactions are secret, actually it appears to be an indirect price-pegging scheme. Similar treatment will be demanded for other commodities. A A A is indirectly but practically engaged in price fixing, though professing otherwise.

New farm laws already are being talked in many quarters because of dissatisfaction with 1938 act. Such could scarcely be less radical than present laws, and would probably include export debenture and outright price-fixing and licensing of handlers, all of which Wallace opposes. Therefore A A A is spreading (*Please turn to page 656*)

General Motors . . .

A giant with a growing family

BY J. C. CLIFFORD

Courtesy General Motors

A Pontiac in the last stages of assembly

This has been a General Motors year. Not a good year for the company, it is to be understood, but one that has been better for it than for its rivals. In the low-priced car field Chevrolet has moved decisively ahead of competitors in its class, and was enabled to advertise that the latest registration figures gave it a commanding lead at 309,365, whereas registrations for the next two makes totaled 262,884 and 142,827, respectively. The "next two makes" are, of course, Ford and Plymouth. Elsewhere, General Motors has done almost as well. Buick has moved well ahead of Dodge. As a matter of fact, in taking fourth place Buick has nosed out two of its stable-mates, Pontiac and Oldsmobile.

Though we see the roads swarming with Chevrolets, Pontiacs, Oldsmobiles and Buicks, with an occasional La Salle and Cadillac, it is still difficult to appreciate that of all the cars and trucks sold in the United States two out of every five are the product of the General Motors Corp. Also true, and perhaps even more difficult to appreciate is that seven out of every twenty motor vehicles manufactured in the world are made by the same company.

Nor is this all. An automobile is a complicated conglomeration of mechanisms and one cannot turn out a million—or in a good year two million—as does General Motors without making a great many accessories which are adaptable for other purposes. All cars, for example, have electrical systems complete with motors, generators, wiring and instruments. What more logical than that a company making these should make also electric motors for uses other than in automobiles? And General Motors does just this: it makes motors for industrial purposes, for washing machines, for fans, for vacuum cleaners and, by no means the least important, for refrigerators.

Now the cabinet of an electrical refrigerator is made of sheet steel. It is enamelled and insulated: in other words, it is not unlike an automobile body. Hence, it becomes perfectly reasonable to find General Motors making complete refrigerators for household and commercial use, together with water coolers, milk coolers and the like. With a strong position in the field of household electrical equipment and with more and more talk of air-conditioning, it was again logical to round out the line by offering year-round air-conditioning equipment—not only the refrigeration unit, but oil and gas-fired boilers. Thus, the existence of the Delco-Frigidaire Division shows that General Motors is not content to compete in automobiles with such formidable adversaries as Ford and Chrysler—to say nothing of half-a-dozen smaller concerns—but has invaded the field of General Electric, Westinghouse Electric, American Radiator and a score of companies equally rugged.

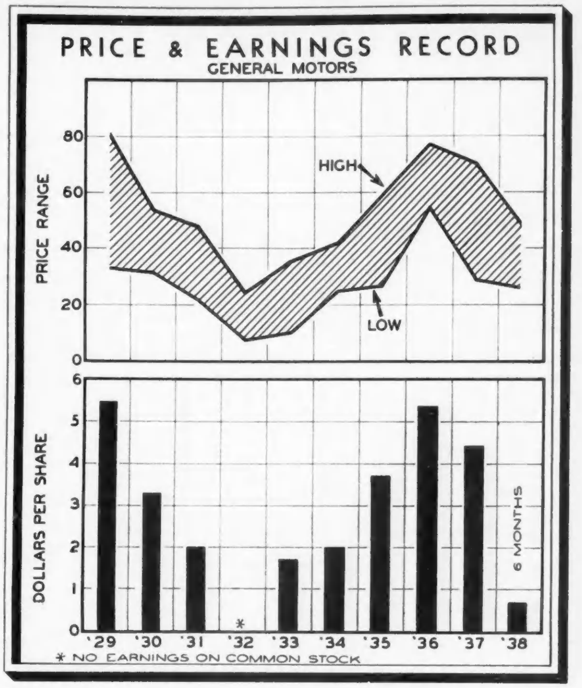
Indeed, the big automobile company does more than this. It fights for the diesel engine market against Fairbanks, Morse, Caterpillar Tractor, Worthington Pump

and others. It even makes diesel locomotives. Possibly, however, the greatest possibilities lie in the small diesel for which a new plant was built at Detroit last year. This new line starts with a single-cylinder unit developing twenty horsepower and runs up to multi-cylinder units developing between one hundred and two hundred horsepower. The smallest unit is intended for stationary use only, possibly as a source of power on the farm, or wherever else a small, compact and economical engine might be needed. The larger diesel will be suitable for busses, trucks and commercial vehicles generally where their counterparts have already proved their worth. It is quite evident from the money which General Motors has spent in entering the diesel field and from the money which it continues to spend on plant facilities and development work that it has great faith in the diesel's future.

In addition to activities that may be termed those of the parent company, General Motors carries on others through subsidiaries and affiliates. The largest of the company's investments is some $85,000,000 in the General Motors Acceptance Corp. which arranges for time-payments on General Motors' products. The volume of business done by this subsidiary is amazing: last year it totalled about $1,400,000,000. From this a net profit of $14,600,000 was derived and General Motors, which owns all of the 500,000 shares of common stock, received dividends aggregating $13,000,000. This is a pretty fair return on $50,000,000 par value.

Unfortunately, it must be added that General Motors may be prosecuted under the anti-trust laws for its control of the General Motors Acceptance Corp. If it is, present indications are that there will be a fight in the courts. Ford and Chrysler under the same fire appear disposed to pursue an opposite course and sign consent decrees, but there is a difference here in that these two companies do not own their own financing subsidiary. The attitude of General Motors appears not to be dictated solely by the large revenues it receives from financing time purchases, but to be based on the belief that the Acceptance Corp. rounds out its business and, in many instances, to the advantage of the customer. It is hard to say what the result would be were General Motors finally ordered to divest itself of its financing subsidiary. It probably would be given to stockholders and then there would be three large installment houses in the field —instead of two as at present—all competing actively with one another. Under such circumstances, installment costs might be lowered with adverse effects upon the profits of all three concerns.

A car or other article sold on time-payments has to be insured for the seller's protection and it is for this reason

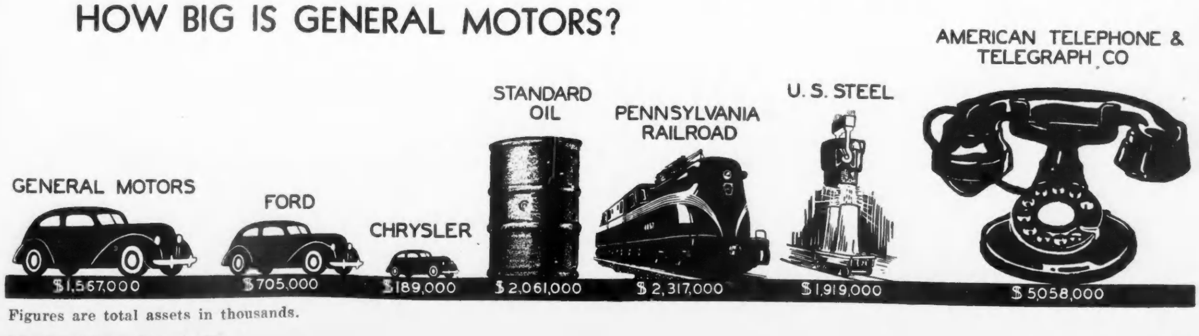


that General Motors has placed $23,000,000 in an insurance subsidiary, the General Exchange Insurance Corp.

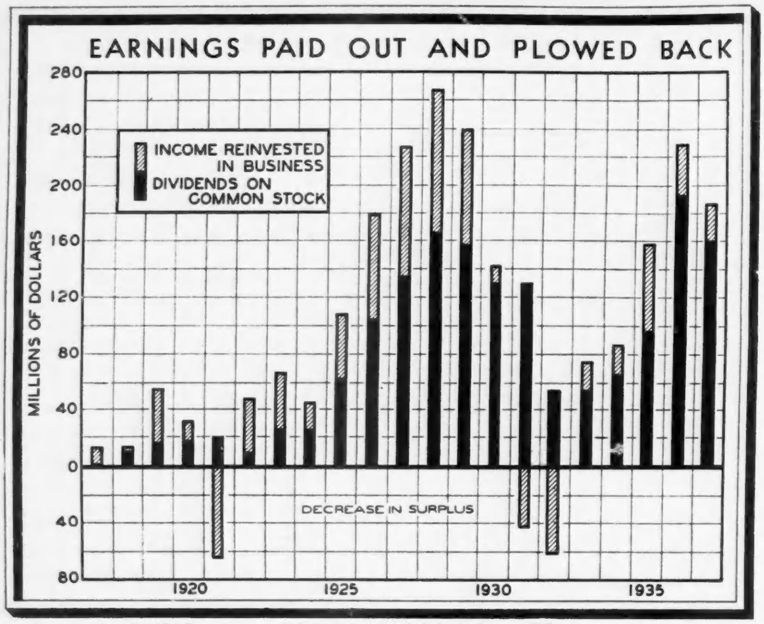
Then there is the investment of nearly $29,000,000 in Yellow Truck & Coach. This company turns out GMC trucks, various types of busses and taxicabs. Bus business has been good and the company is working now on orders for New York City Omnibus, Fifth Avenue Coach, Chicago Motor Coach and for Greyhound. The Greyhound busses which will serve the New York World's Fair will be the biggest passenger vehicles of their kind in the world. Truck business is only fair, for Yellow meets fierce competition from White, Mack, International Harvester and others. If it got down to the really light field it would trample over the big truck business which is done by Chevrolet. However, if Yellow's record has not been over-good—it lost money in the boom years 1927 and 1928 and then again in 1931, 1932, 1933 and 1934—it was in the "black" for the first half of the present year which for many has been a period of deep depression.

Turning to General Motors interests abroad, it has some $17,000,000 invested in Vauxhall Motors Ltd. of England. This company, which does not compete in the lowest-price class, accounted last year for more than

HOW BIG IS GENERAL MOTORS?



Figures are total assets in thousands.



9 per cent of all the cars sold in the British Isles. Then there is the German subsidiary, Adam Opel, which made 37 per cent of all the cars sold in that country last year. Unfortunately, the $35,000,000 interest in Adam Opel is not currently doing General Motors any great good, for exchange control makes it impossible to bring profits to the United States.

Finally, General Motors' foreign interests include a large export business. Last year the corporation sold some 364,000 cars and trucks abroad, of which about half came from the United States.

Not yet is the end of all the ramifications of General Motors. Large as it is, there is nevertheless a great deal of finished and semi-finished material bought on the outside and the company evidentally finds it advantageous at times to exercise a measure of direct control over such outside sources. General Motors is interested to the extent of more than $15,000,000 in Bendix Aviation. The latter is a manufacturer of such automobile accessories as starting drives, brakes and carburetors. It also has a growing aviation division and a $2,000,000 plant is now being erected in New Jersey which will turn out inertia starters, electric generators, vacuum pumps, fuel-flow meters and a wide range of instruments, mostly intended primarily for use in aircraft.

While the $15,000,000 which General Motors has invested in Bendix represents no more than about a 25 per cent control, in actuality the control is probably a great deal more effective than in theory. There was evidence of General Motors exercising closer supervision earlier this year when several GM officials became officers of the smaller company. That Bendix lost money in the first six months of 1938 may have had something to do with the changes; or, it may have been just that General Motors wanted to watch more closely over the expansion. In former years Bendix has shown itself to be a fair earner; an average of well over $1 a share was shown for 1935, 1936 and 1937.

Additional interests of some importance to the big automobile company include $4,500,000 in North American Aviation, slightly less than this sum in the Ethyl Gasoline Corp. and $550,000 in Kinetic Chemicals. North American Aviation is a producer of aircraft and GM's stock interest is about 29 per cent of the total. Standard Oil (New Jersey) has a bare majority control in Ethyl Gasoline, which was formed to develop the product of the same name, with General Motors owning the balance. Kinetic Chemicals manufactures a refrigerant and the General Motors interest is 49 per cent, against 51 per cent for du Pont de Nemours.

Now, this is quite a family and it would be a mistake to minimize its importance—particularly the potential importance of its diversity. It would be, however, a still greater mistake not to appreciate that General Motors remains essentially dependent on the automobile. The Frigidaire division may have sold well over half-a-million units last year, establishing thereby a new high record: the diesel motor divisions are going ahead fast and quite obviously possess great possibilities: or, again, a $15,000,000 investment such as General Motors has in Bendix Aviation would loom large in the affairs of a smaller concern. But General Motors has total resources in excess of $1,500,000,000 and for the sake of perspective the enormity of this figure is to be kept in mind when considering the company's subsidiaries and outside interests.

Big in every way, there is a great deal of General Motor's stock outstanding. Of the common, which is of $10 par value, 43,500,000 shares have been issued and of the $5 preferred 1,875,366 shares have been issued. The amounts outstanding with the public are somewhat smaller than these, for the company itself is the owner of some stock. There is no funded debt and apart from current liabilities, owners of the preferred and common have sole claim to the business.

Reflecting the sharp contraction in the demand for automobiles and the company's other products, General Motors reported a net profit of only $33,020,000 for the first half of 1938, compared with a net profit of $110,545,000 for the first half of 1937. On a per-share basis the profits were 66 cents and $2.47, respectively.

On the face of it, this is not a particularly impressive showing for a company whose common stock is selling for $45 a share. However, the latest report was significant in one important respect: it brought out that profits in the second quarter of the year were favorably affected by a better control over costs and a drastic reduction in operating expense. The business of General Motors in the second quarter expanded less than 9 per cent over the first three months, or considerably below seasonal expectations. The net profit, however, for this quarter was three times that of the first. This augurs well for earnings and therefore dividends when sales volume again picks up.

Currently, the automobile industry from a production standpoint is passing through its usual annual period of

confusion. Some companies are still running on their 1938-models, some are shut down for the change-over to next year's models, while others are producing both types. In some instances pre-views of the news cars have actually been held, although as this is written such is not the case with any of the General Motor line of automobiles.

It is believed that changes this year are to be quite drastic. They will be both mechanical and in design. In addition to the usual relatively minor mechanical improvements which will make for better and more economical performance, many of the new cars are likely to carry gear-shift levers on the steering column or instrument panel. More cars will be fitted with over-drive and we may well find some makes with automatic transmissions as an "extra." The design changes will be towards more advanced streamlining. There will be more room in bodies and greater visibility for the driver. On the whole, changes will be extensive compared with those made on 1937 models.

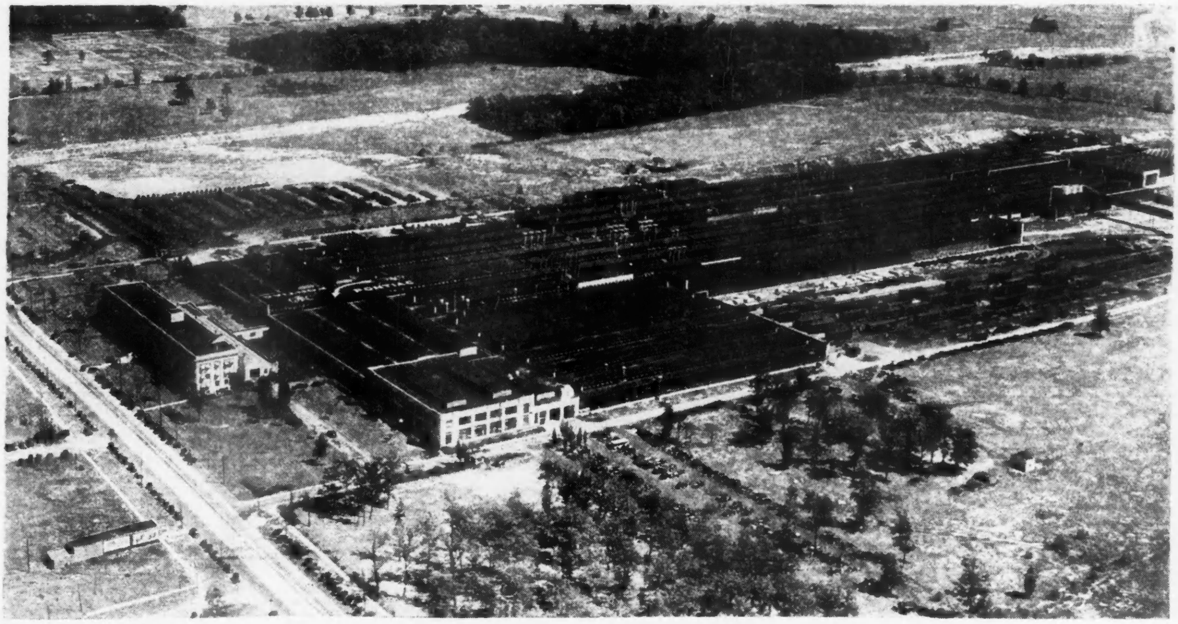
Improving business, enlarged purchasing power, coupled with changes in models which can be counted upon to whet the public's appetite for the new cars, appears to be a combination that assures active automobile production. Also to be considered is that dealers' stocks are everywhere low and the used car situation is healthier than it has been in a long time. This is confirmed by a statement of the National Automobile Dealers Association to the effect that used car prices tended to remain stable during August, whereas customarily prices decline substantially during this month owing to the efforts of dealers to reduce their stocks. The opinion has even been expressed that there will be an actual shortage of cars before 1939-models can be produced in sufficient quantity to fill the demand.

Thus, everything points to a rapid increase in automobile production over the next few months. Of this increase, General Motors can be counted upon to obtain its full share. And what of prices and, consequently, profit margins? There has been considerable talk of 1939-models being lower in price and reductions as high as $100 a car have been mentioned for the low-priced group. This, however, seems most unlikely and, while it is true that cuts made in steel and other raw materials would appear to warrant modest reductions in the finished product, it is to be doubted that any such reductions will go to the point of actually narrowing profit margins. Indeed, profit margins may be even somewhat wider than in the relatively efficient second quarter, for the new cars are certain to represent an improvement in manufacturing technique.

In the last half of last year, General Motors sold slightly in excess of 1,000,000 units to its dealers. Guesses such as we are about to make are hazardous, but it might be hoped that the company's sales in the last half of this year will approach the 700,000-mark. This, of course, is expecting a good deal, for sales in the first half of the present year were only some 610,000 units and usually the first half is better than the last. On the other hand, optimism is justified by the facts.

Alfred P. Sloan, Jr., General Motors' chairman, recently expressed himself as not expecting very much in the way of earnings for the third quarter, but he went on to say that "if there is a real business improvement it should be reflected in the fourth quarter in generally satisfactory results."

One may add that the improvement in business and increase in purchasing power which is counted upon to bring about an improvement in automobile production also betters the outlook for most of General Motors' family. Bendix will be benefited directly by the larger output of cars. The demand for household equipment will improve, while enlarged sales of all products mean a bigger business for General Motors Acceptance Corp. All this should add substantially to the earnings of the automobile divisions. (*Please turn to page 656*)



Courtesy General Motors

G. M. subsidiary Yellow Truck & Coach Company's plant near Pontiac, Mich.

Companies Ahead of 1929

The Reasons Behind the Record

BY J. S. WILLIAMS

AGGREGATE profits of American business last year were well under the 1929 level but more than one hundred companies, with securities listed on the New York Stock Exchange or the New York Curb Exchange, showed *bigger* 1937, earnings than in America's fattest boom year.

It is possible, of course, for speculators to make money in stocks which are really going no place at all, so far as long term trend is concerned. Since March many low price stocks, some with a dubious future, have doubled and tripled. That is no reason to suppose they will continue to set the pace. The investor in the long run will fare best in stocks which are subject not only to pronounced cyclical recovery in earnings but which in addition are favored by dynamic long term growth factors. The latter characteristic tends to extend appreciation in a recovery cycle and to restrain depreciation in a downward business cycle.

Companies which managed to earn record high profits last year are a fruitful field for investment study. If the growth factors which made this showing possible are *continuing* factors, one can logically expect such a company to remain ahead of the pack in the present recovery cycle, to make a better showing than industry generally and to show its heels to competitors. But if for any reason record 1937 earnings were due to temporary conditions or to factors which have exerted their maximum influence already, the profit record of itself may easily be misleading.

For instance, one company's ability to earn more in 1937 than in 1929 may reflect not dynamic long term growth at all, but merely the acquisition of additional properties in the interval. It may be simply a bigger company, with more business and more profits, rather that to beat the 1929 record was easy.

In many instances it will be found that profit expansion is not by any means proportionate to sales expansion, indicating a tendency toward diminishing returns from growth. Again, it will be noted that dynamic growth means much bigger percentage gains for enterprises of moderate size than for the industrial giants. For example, a $10,000,000 sales gain for du Pont would lift volume by only 3.5 per cent but it would mean more than a 30 per cent increase for Monsanto Chemical.

The sample list below presents and comments on the performance of thirty of the more important corporations which set new profits records last year. These observations attempt not only to appraise the true significance of each individually but to indicate standards by which other record high profits, not herewith tabulated, may be appraised in their bearing on future trends.

Leaders in New Profit Records

Company	1937 Sales (or gross op. rev.)	% Gain over 1929	1937 Profit	% Gain over 1929	COMMENTS
Monsanto Chemical	$33,202,000	*	$4,999,000	354.9	Profits more than tripled since 1929 because of aggressive diversification, but also because the enterprise is of moderate size. There is a law of diminishing returns in bigness. Monsanto will be immune for some time. Further dynamic progress indicated.
Libbey-Owens-Ford	*	*	10,518,000	200	Laminated safety glass has come into wide use only in recent years. Leadership in such glass and contract to supply all General Motors needs chiefly explain big profit jump over former peaks. Future gains will be much less dynamic.
Yellow Truck	73,451,000	47.2	3,571,000	200	Management and products extensively overhauled in recent years. In the 1925-1929 boom this was a weak enterprise, so that big profit gain over 1929 is somewhat misleading. Outlook reasonably good.
Douglas Aircraft	20,950,000	775	1,081,000	175	The record here is typical of all leading aircraft manufacturers in that profit gain thus far is nowhere near proportionate to huge expansion of sales since 1929. But profit margins are improving and will reach a new high this year.
Abbott Laboratories	9,509,000	171	1,612,000	166.7	Here is an example of sound, consistent broadening of markets which shows up in spectacular proportions only over a period of years. Note that percentage profit gain since 1929 has approximated percentage sales gain, an unusual performance.

Leaders in New Profit Records (Continued)

Company	1937 Sales (or gross op. rev.)	% Gain over 1929	1937 Profit	% Gain over 1929	COMMENTS
Mesta Machine	*	*	$4,668,000	161.1	The steel industry's record-breaking spending for new sheet mills in recent years, reflecting increased demand for light steels, meant a bonanza for Mesta. It can not be expected to continue.
American Cyanamid	*	*	5,268,000	152.3	Progress in gradual product diversification, typical of all successful chemical enterprises, explains topping of former peak earnings, with percentage gain magnified by factor of moderate size.
Commercial Credit	$933,854,000	110.9	14,016,000	133.3	Finances Chrysler sales and expansion thereof since 1929 chiefly accounts for Commercial Credit's new profit peaks. Future long term gains probably will be slower.
International Nickel	*	*	50,299,000	126.5	Company has been notably successful in enlarging world markets for nickel since 1929. Longer prospect remains promising.
Container Corp.	25,268,000	*	1,784,000	125	New profit high last year reflected strong competitive position in paperboard industry and fruits of extensive modernization and expansion of facilities.
Chrysler	769,807,000	105.3	50,729,000	108.6	Company's share of motor market radically increased since 1929, due mainly to Plymouth division. Competitive status little changed over past three years and future gains will be less spectacular.
Minneapolis-Honeywell	15,810,000	138.7	2,929,000	107.1	Performance reflects leadership in heat control devices, demand for which has broadened greatly since 1929. Long term outlook remains favorable.
Coca-Cola	68,402,000	74.2	24,681,000	93.6	Over the years, probably the most consistent success among the "Blue Chips." Most skeptics have given up trying to guess the saturation point in this still expanding market. Profits up even more than volume since 1929, which is almost unique.
Phillips Petroleum	120,237,000	132.4	24,113,000	82.6	Peak year was 1926, as with most oils, due to more profitable prices than have existed any time since. Under the circumstances showing last year was remarkably good, with bigger portion of sales gain carried through to net than with any other large oil enterprise.
Allis Chalmers	87,353,000	92.7	7,841,000	81.4	Successful development of a new line of farm tractors largely responsible for excellent showing in recent years. With a stake in farm equipment, electrical equipment and industrial machinery, longer outlook remains promising.
American Chicle	*	*	3,619,000	71.4	Total assets about 16 per cent of its biggest competitor, Wrigley, but profit 41 per cent of Wrigley's. The difference seems to be management.
National Steel	145,933,000	*	17,801,000	50.8	With modern, strategically located plants, company has benefited relatively more from expanded demand for light steels than any other major steel enterprise. Since this was a late 1929 merger, comparison with that year's net of predecessor units may be somewhat misleading.
Celanese	*	*	4,461,000	50	Top year was 1933, not 1929. Outlook for long term sales expansion is good, as with rayon industry generally, but profit margin outlook is by no means equally dynamic, due to keen price competition similar to that in older branches of textiles.
J. C. Penney	275,375,000	31.2	16,575,000	33.8	Penney is an example of gradual, carefully planned expansion under one of the best merchandising managements in the country. That is why 1937 profit gain over 1929 was slightly larger than volume gain.
Phelps Dodge	83,128,000	100.7	12,740,000	32.3	Long term promise not as dynamic as 1937-1929 comparisons imply. Gain over 1929 chiefly due to acquisition of additional properties in the interval, plus sharply higher prices for gold and silver contained in relatively high degree in its copper ores.
Borg Warner	*	*	8,348,000	23.8	While competitive status in motor parts has been well maintained, 1937 profit peak mainly due to expansion of household appliance division, notably refrigerators, since 1929.
American Rolling Mill	114,857,000	63.2	8,231,000	22.4	Aggregate sheet steel demand last year was far above that of 1929. Pioneer in continuous rolling of sheets, this company's sales benefited proportionately, but note that percentage profit gain over 1929 was only a bit over a third of percentage volume gain.
Union Carbide	*	*	42,782,000	20.9	An aggressive, still growing company, but a good example of the fact that the bigger any industrial giant becomes the smaller tend to become the percentage gains in volume and net from decade to decade.
E. I. du Pont	286,043,000	*	88,031,000	12.8	An even more striking example of the same. Not only a giant chemical enterprise but the biggest owner of the biggest automobile company. Commercial success of its chemical research since 1929 has been phenomenal, but profit gain over 1929 is relatively modest.
Melville Shoe	38,155,000	50	1,873,000	12.5	Skilled mass production and smart merchandising explain volume gain of 50 per cent over 1929. The law of diminishing returns explains profit gain less than a fourth as large.
W. T. Grant	(a)99,059,000	77.7	3,401,000	9.7	Results of the expansion of the Grant chain compare unfavorably with those of Penney, as it took volume more than 77 per cent larger than 1929 to produce earnings 9.7 per cent larger.
Inland Steel	110,744,000	61.3	12,665,000	8.5	This is one of the best managed steel enterprises, but the problems of the business are emphasized by volume gain since 1929 far disproportionate to small profit gain.
Sears, Roebuck	(a)537,242,000	33.1	30,828,000	2.3	Another prize example of diminishing returns. Successful chain store expansion, supplementing the old mail order division, accounts for 1937 volume a third bigger than in 1929 but profits were only a trifle larger.
Eastman Kodak	136,114,000	*	22,347,000	1.5	Not cameras but motion picture film, cellulose acetate products and chemicals are the main explanation of this company's new top in earnings last year.
Hercules Powder	44,558,000	35.1	4,440,000	1.4	Of moderate size, company has dynamic potentialities for percentage gains in sales and net as it becomes increasingly a diversified manufacturer of chemicals, with explosives now accounting for only 28 per cent of its business.

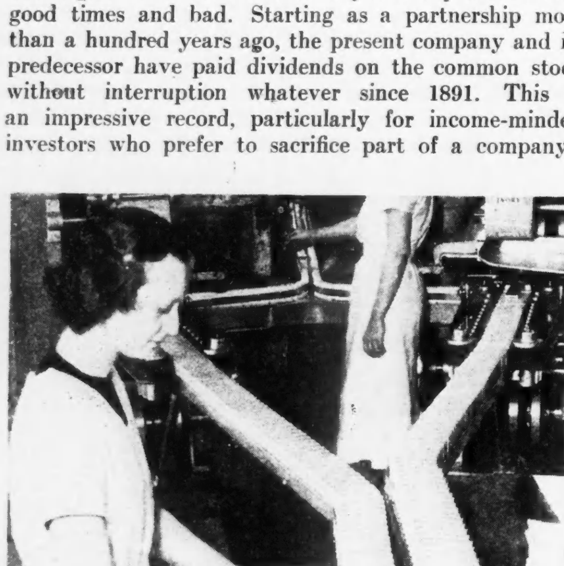
*—Not reported. (a)—Year ended Jan. 31.

Profits in Good Times and Bad

More Than a Hundred Years of Successful Operations Lie Behind

BY WALTER F. McCRACKEN

USING raw materials the prices of which are inclined to buzz up and down like a bee in a glass jar, the Procter & Gamble Co. has built a business whose most striking characteristic is that it yields a profit in both good times and bad. Starting as a partnership more than a hundred years ago, the present company and its predecessor have paid dividends on the common stock without interruption whatever since 1891. This is an impressive record, particularly for income-minded investors who prefer to sacrifice part of a company's so-called profit possibilities (and by the same token, loss possibilities) for the assurance of continued return on their capital. Not that Procter & Gamble's stock is to be regarded as being staid to the point of hopelessness: although the company has always managed to make some money, the amount has varied quite widely from year to year and such results naturally have reacted on the market price to the benefit of those wise enough to have anticipated developments. This year the stock has ranged between a low of 39 and a high of 57.



Photos Courtesy Procter & Gamble Co.
"Ivory" on the way to distribution.

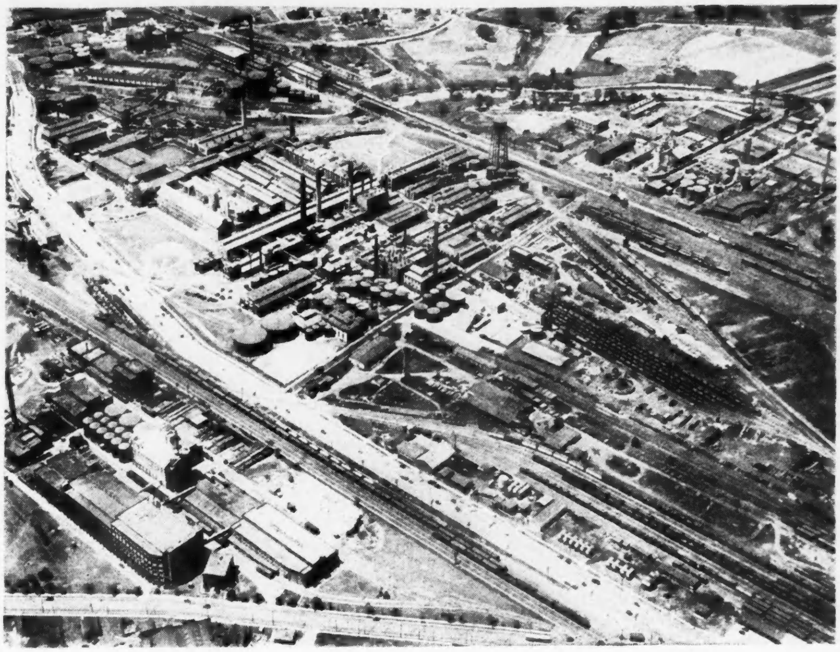
As a manufacturer of soaps, Procter & Gamble is the largest factor in the American market—considerably larger than its principal competitor, Colgate-Palmolive-Peet, and far larger than any of the numerous other concerns in the business. The company's trade-names, "Ivory" and "Camay," are known to everyone, while it is the owner of other brands with which the public is only slightly less familiar.

A soap-maker's principal raw materials are caustic soda, tallow and such vegetable oils as are derived from copra and cottonseed. A by-product of the manufacturing process is glycerine and Procter & Gamble sells enormous quantities of this material for use in drugs, dynamite, inks and as an anti-freeze for automobiles. The vegetable oils used in making soap may also be made the basis of such edible products as shortenings, salad oils and confectioners' butter. Procter & Gamble's "Crisco" which competes with lard in baking and cooking, is as well known in its field as "Ivory" is in the bathroom and laundry.

Some of the raw materials are self-produced. It is, for example, the largest producer of cottonseed oil in the world with mills scattered throughout the southern states. Yet, despite this capacity for the production of cottonseed oil, Procter & Gamble is far from supplying its own needs for this material and much is purchased from outside interests. The company also crushes copra in its own plants.

Other raw materials are bought in the open market, often for delivery the better part of a year ahead. The

need for keeping large stocks of raw materials actually on hand and the contracts covering future commitments which are always outstanding in greater or lesser degree make for an inventory problem of no mean proportions. The problem is made the more difficult because, as has been said, much of the inventory is extremely volatile in price. Procter & Gamble uses two means to dull the edge of what otherwise make for an extremely erratic performance in the earnings statement. The first is a flexible price policy. It advertises extensively, but many other companies which do the same thing commit themselves to a price with the result that profit margins often suffer severely when raw material costs rise.



Ivorydale, home of Procter & Gamble, near Cincinnati, Ohio.

The second means employed to dull the effects of fluctuations in the price of raw materials may be termed "direct action." Whenever it is believed that rising prices have brought so-called inventory profits into the income account, a deduction is made from earnings and the amount set up as a "Reserve for Material and Products Price Equalization." The company's policy in this regard was set forth in the annual report for the year ended June 30, 1935, when it was said that this reserve (it was $4,000,000) "had been created in recognition of the fact that rising prices frequently result in profits on inventories, which profits are succeeded by losses when prices fall. We believe it is wise to build up this reserve at such times and in such amounts as may be practicable, in the hope that the total amount so set aside ultimately will be sufficiently large to afford protection to the company against the losses which inevitably attend price declines."

The annual report which has just been issued shows that Procter & Gamble's "equalization reserve" has been through practically an entire cycle. This last report makes the plan's workings entirely clear. Commenting on the fact that for the fiscal year ended June 30, 1938, it has been found necessary to write off inventory in the amount of some $3,800,000, the company said: "The Reserve for Material and Products Price Equalization was created in prior years foı use in a contingency such as this, in order that the amount available for dividends in a year wherein the earnings were adversely affected by declining markets might be somewhat equalized. This reserve was reduced during the year just ended from $4,700,000 to $700,000.

"The prices prevailing on June 30, 1938, were relatively low, so that no larger reserve seems to be warranted at the present time; however, should prices advance, it would seem to be sound procedure to rebuild this fund as opportunity offers and maintain it on some basis in keeping with the level of market values."

A diversified line of products in everyday use, a flexible price policy and the judicious use of bookkeeping reserves all play a part in making Procter & Gamble's common stock an investment issue—at least so far as any common stock is entitled to be called such. Also tending to make for the same thing is the territorial diversification of the company's markets. Procter & Gamble may be an American company having the greater part of its sales within the boundaries of the United States, but it also does an extensive export business. In addition it has an important English subsidiary with which the war with Lever Bros. is carried into the enemy's own territory. There are other subsidiaries in Canada and in Cuba. Expansion, both in this country and abroad, direct and by the acquisition of going concerns, has been conspicuous in Procter & Gamble's recent history.

Consolidated net sales in the year ended June 30, last, totaled about $209,000,000, compared with about $219,000,000 for the previous period—a decline of about 4½ per cent. Owing, however, to the steady decline in raw material prices, the consolidated net profit fell from $26,800,000 to $15,262,000. The last figure even includes $2,125,000 of non-recurring income. However, after the transference of $4,000,000 from the Reserve for Material and Products Price Equalization and after making provision for additional taxes for prior years, the amount available for dividends in the year to June 30, last, was $17,439,000, compared with $26,803,000 in the previous year. Applied to the outstanding shares of common stock, after allowing for dividends on the preferreds, these two amounts are equal to $2.60 and $4.07, respectively. Lower though last year's earnings were, they nevertheless would have been sufficient to maintain the present regular dividend of 50 cents a share quarterly with a good margin to spare.

The capitalization of the Procter & Gamble Co. is a conservative and a relatively (*Please turn to page* 654)

As the Trader Sees Today's Market

Odd-Lot Figures a Clue to Professional Operations

BY FREDERICK K. DODGE

"The customer is always right," according to the storekeeper's policy. Behind this proposition stands the corollary that when the customer is right the merchant is unavoidably wrong. On the Stock Exchange, however, there is no such sharp conflict between the customer who buys or sells his stocks in odd-lots and the broker who handles the floor end of the transactions. Both may be right at the same time or, unfortunately, both wrong.

The great difference is that the odd-lot broker, required by the nature of his business to maintain positions in practically all of the issues in which he deals, *must* be right most of the time or change to a less exacting profession. It is therefore almost needless to add that the record over the past twenty-two months shows that anyone familiar with current operations of the odd-lot brokers and willing to follow along would have been on the correct side of the market with a very profitable consistency. Following the customers, on the other hand, would have been poor policy up to the date of writing, if not for the much longer term.

The chart on the opposite page needs considerable explanation. In the first place, the brokers referred to are not the ordinary commission houses through which a customer trades. When an odd-lot order is received by this type of firm it is telephoned to the floor, then transmitted through the tube system to the post at which the particular stock is traded. There an odd-lot broker receives it and executes it at the first opportunity afforded by the round-lot market, with a gross margin for his firm of an eighth of a point above or below the controlling transaction. If it is a buy order for fifty shares, it may leave him short fifty after its execution. Now it is up to the broker whether he chooses to remain short or to go into the round-lot market and buy a hundred, making him long fifty.

Positions built up in this way during the course of an active trading session may at times grow large, though limits are placed upon individual brokers' discretion by their firms. They result entirely from purchases or sales which are originated by customers, and which the odd-lot brokers for one reason or another do not cancel immediately with their own trades.

The statistics used in this article may be kept up to date by means of the figures released by the S. E. C., part of which are published in daily papers. The complete daily trading data may be obtained by writing to the Securities & Exchange Commission, Publications Unit, Washington, D. C. Although certain of the figures are close to three weeks old at the time they become public, they nevertheless provide an invaluable check on what some professionals are doing, in contrast to what rumors have them saying.

Customers' positions on the chart, it will be noted, start from zero, while brokers' positions start from the 200,000-share mark. This is purely to achieve a better picture of what has been happening. There is no basis for estimating the holdings of odd-lot owners prior to the time when the S E C started to report odd-lot transactions, but we know that the normal situation of the odd-lot houses is on the long side in an upward market, and the positions reached at later dates on the chart coincide very well with other indications of their position. Since both lines are valuable chiefly for their relative changes taken in conjunction with market action, a change in the starting point for either would have little or no effect on their significance.

The S E C began to release figures on floor trading early in October, 1936. Two sets of figures from these reports form the basis for our calculations. Separate totals are given for transactions of odd-lot dealers in both round-lots and odd-lots, bought and sold. If during a certain week the dealers sell 600,000 shares and buy 500,000 in odd-lots, we know that the customers must have purchased on balance 100,000 shares and the dealers must have sold that amount. Now, if the same dealers bought 150,000 shares in round-lots and sold only 100,000, then their trading in this classification must have resulted in the purchase of 50,000 shares, against their sales to customers of 100,000. Therefore, the odd-lot brokers sold on balance during the week 50,000 shares of various issues.

Each of these brokers runs a book similar to a specialist's, except that the quantities of the individual orders are all smaller than a hundred shares. If XYZ is selling at 20, there will be orders to sell in varying amounts at perhaps each eighth above that price, and conversely to buy at each eighth below. When the market begins to move upward, the sell orders become effective as their limits are reached, and unless the odd-lot broker persistently sells stock in round-lots against the blocks he is acquiring on his book, he automatically becomes fur-

ther and further committed on the long side, while the customers are steadily reducing their holdings. Similarly, when the market moves in the other direction, buy orders on the odd-lot book are executed, so that the broker is selling stock, to the extent that his round-lot purchases fail to equal his sales on the book.

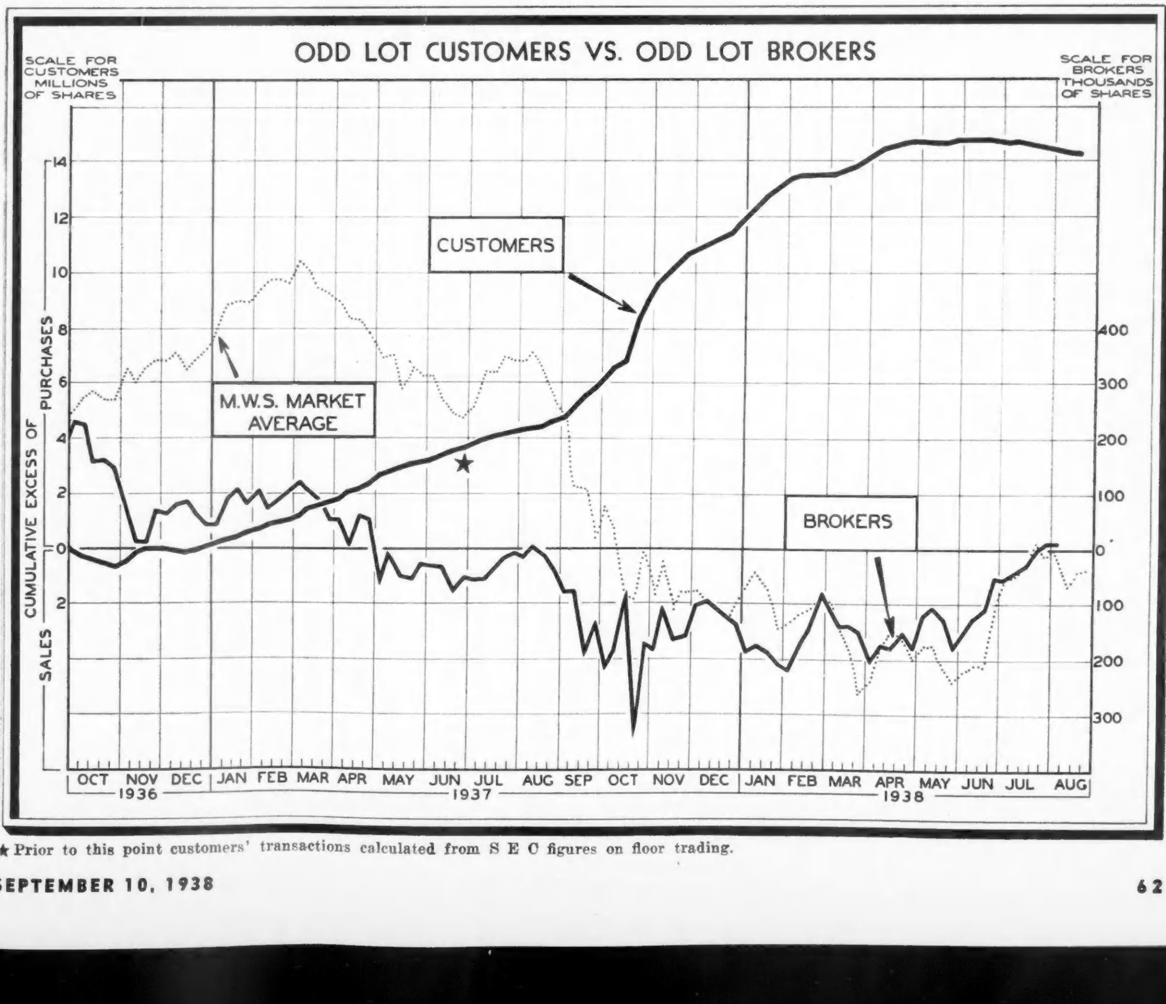
It is apparent that in the normal course of events the odd-lot broker and the odd-lot customer would tend toward opposite sides of the market, although not in comparable quantities. This is not overwhelmingly true, however; out of the 97 weeks shown on the chart, brokers and customers bought together or sold together in 41, taking the contrary sides in only 56 weeks. A more consistent and more significant tendency is for the brokers to follow the current trend of the market and for the customers to oppose it.

For instance, between March and June of last year, when the market was declining, customers continued to buy steadily more than they sold and brokers to sell more than they bought. Brokers switched to the buying side in the July-August rally of 1937, but quickly reversed again in August when prices started downward. Buying by the customers became more insistent in September, as the falling market executed limit orders for them, and then took another sharp upward slant in October when new lows were recorded. The brokers, of course, were following the main trend throughout the period.

It is interesting to observe that purchases of the brokers began well before the market inaugurated its sharp rally on June 20th of this year. Their buying has since been almost continuous, whereas the odd-lot customers have failed to extend their positions in the last four months and have, in fact, begun to reduce them. In short the odd-lot buyers fought the market decline all the way down by buying on balance and have been predominantly sellers on the recent rise.

The logical presumption is that a good part of the fourteen million shares of stock purchased by the odd-lot customers since the figures have been available was bought for the long pull, and the buying may thus turn out well eventually. The brokers trading for the short swings and the customers interested in the large ones may both be right. Still, on the record as it now stands, the willingness of the brokers to follow the market trend has proven most profitable. Traders alert to make use of the new tools provided by S E C statistics can hardly afford to ignore these indications of what the professionals are actually doing in the market.

For the benefit of those interested in keeping their own record, the figures on customer trading show a cumulative excess of purchases over sales amounting to 14,213,268 shares between the end of September, 1936, and August 20, 1938. Odd-lot brokers have sold 182,435 shares of stock on balance over almost exactly the same period. Because it was assumed that the odd-lot houses might well have been long some such amount as 200,000 shares in the fall of 1936, their position as of August 6 is considered to be 17,565 shares on the long side. Both sets of figures are available on a daily basis, allowing a close-up of these transactions in relation to general market action.



★ Prior to this point customers' transactions calculated from S E C figures on floor trading.

COMMERICAL CREDIT CO. — COMMERCIAL INVESTMENT TRUST

Earnings On The Way Back

Leading Installment Finance Companies Will Benefit From the Motor Industry's Present Upward Cycle

BY C. HAMILTON OWEN

Few indeed are the industrial enterprises able to match the phenomenally successful records of Commercial Credit Co. and Commercial Investment Trust, the two leading independent installment financing companies. Years of steady growth were interrupted only briefly during the depression of the early '30's and even in the worst of those years—1932—both companies maintained operations on a profitable basis. Last year these companies set a new high record both in their volume of business and earnings. For many another company the year 1929 is still the high-water mark.

The ability of Commercial Credit and Commercial Investment Trust to make the best showing in their history last year is the more remarkable when it is noted that new business and earnings began to turn downward after mid-year and declined throughout the last six months. The decline continued at a more accelerated pace in the first six months of this year, total receivables purchased by Commercial Investment Trust dropping off 54 per cent, while those of Commercial Credit were down 46 per cent from the level of a year ago. Per-share earnings of Commercial Credit declined 28 per cent and Commercial Investment Trust reported a drop of 32.6 per cent.

Highlights of Two Leading Finance Companies

Commercial Investment Trust

	1937	1936	1929
Gross Receivables Purchased	$1,291.7*	$1,169.7*	$489.5*
Receivables Dec. 31	466.3*	397.7*	184.1*
Invested Capital Dec. 31	113.8*	112.2*	104.6*
Cash Items	63.7*	50.3*	19.2*
Notes Payable	288.8*	208.9*	36.9*
Earned Per Share Common	6.36	6.07	2.38

	1st 6 mos. 1938	1st 6 mos. 1937
Earned Per Share Common	2.31	3.43

Dividends paid 1937, $5.00; latest quarterly payment, $1.00

	High	Low
Price Range 1937	80¼	34
Price Range 1938	56	31½
Recent Price	55	

Commercial Credit

	1937	1936	1929
Gross Receivables Purchased	$933.9*	$789.5*	$442.8*
Receivables Dec. 31	307.5*	242.7*	146.6*
Invested Capital Dec. 31	64.7*	62.4*	58.4*
Cash Items	28.1*	23.5*	23.6*
Notes Payable	171.8*	142.1*	91.9*
Earned Per Share Common	7.10	6.08	3.63

	1st 6 mos. 1938	1st 6 mos. 1937
Earned Per Share Common	2.65	3.71

Dividends paid 1937, $5.50; latest quarterly payment, $1.00

	High	Low
Price Range 1937	69¼	30⅜
Price Range 1938	50⅛	23
Recent Price	49	

*—Millions of dollars.

During the past eight weeks, however, the trend of events has favored both companies, foreshadowing an early and possibly sustained improvement in their volume of new business and earnings.

Bearing most directly on their outlook are the distinctly more hopeful prospects for the automobile industry. Whereas two months ago all was gloom in automotive trade circles, the industry is now actively preparing for the 1939 season and is in a much more optimistic frame of mind. Sales during the past sixty days have held up much better than had been expected; stocks of both new and used cars in dealers' hands have been substantially depleted, and all leading manufacturers are planning to stimulate buying interest by making sweeping changes in 1939 models.

Despite the marked progress which the two leading finance companies have made in diversifying their activities, automobile financing, both wholesale and retail, still accounts for the major portion of their business. Last year about 57 per cent of all the new and

used passenger cars and 60 per cent of new and used trucks were sold on the installment plan. Of the total receivables held by Commercial Credit at the end of last year, more than 70 per cent were automobile liens, while automobile receivables of Commercial Investment Trust accounted for about 68 per cent of the total.

It is thus quite obvious that the fortunes of these companies are closely linked with those of the automobile industry and their prospects must be largely judged as being good or bad, depending upon the outlook for the automobile industry—but with certain reservations. Although it appears more than likely that the worst of the decline in automobile sales has already passed, it may still be some months before any increase in automobile financing reaches sufficient proportions to offset volume of receivables paid off. This lag may run through the final quarter of this year but, if present indications are borne out, finance companies should begin to show a rising trend in the volume of receivables purchased late in the first quarter of 1939. Gains in the second quarter next year may attain really sizable proportions.

The improved outlook for the automobile industry naturally presupposes a rise in employment and consumer purchasing power. As these conditions are reflected in rising sales of automobiles, it is to be expected that they will also be effective in enlarging the sale of such consumers' capital goods as refrigerators, oil burners, furnaces, washing machines, etc. Although these items do not bulk as heavily in total receivables, both finance companies include among their clients the leading manufacturers of household equipment, as well as manufacturers of industrial labor-saving machinery and equipment.

Despite the excellent records of Commercial Credit and Commercial Investment Trust, a record replete with substantial earnings and liberal dividends, the market has regularly evaluated the shares on a much more conservative basis than the shares of many other companies lacking the same measure of dependable earning power and dividends. Last year the common shares of Commercial Investment Trust had a price range of 80¼ and 34. For the full year the company showed earnings equal to $6.36 a share and dividends totaled $5. Even at their high the shares were quoted less than thirteen times earnings and the dividend yield was better than 6 per cent. Numerous examples of issues can be readily called to mind which at the best 1937 levels were selling at twenty and thirty times their earning power that year. This market discrepancy was even more apparent in the case of Commercial Credit. The latter's shares sold at 69¼, their high for last year. Earnings were equal to $7.33 a share and dividends totaled $5.50.

Exaggerations are not a common characteristic of the stock market and when a situation such as the foregoing is noted, the chances are nine out of ten that there can be found definite reasons for it and it is equally likely that "market neglect" will not be one of them.

The reasons for the indicated market skepticism in the case of the two finance companies are not hard to find. Probably the principal reason is the unfavorable publicity which has frequently been given to the affairs of installment companies. It matters not that much of this publicity was undeserved by them, the installment business is still the subject of a heated controversy, revolving mainly about the effect of installment selling on our national economy. Finance companies have been accused of encouraging wage-earners and small salaried individuals in purchasing merchandise beyond their means, thereby mortgaging their future income; they have been accused of charging usurious rates; and installment selling has even been blamed by no less a person than the President of the United States as responsible for the latest business slump. Last, but not least, all of the leading automobile finance companies are under Federal indictment for alleged violations of the anti-trust laws.

It would be possible to refute all of these contentions effectively and at some length and no more adequate proof of this is to be found than in the high credit standing which the leading finance companies enjoy with banks. As borrowers of short term credit they are welcomed with open arms. Many banks have even gone into the business of financing installment purchases directly. The cost to the buyer of financing an installment purchase has been reduced and finance companies, recognizing the dangers and risk of allowing small down payments and permitting purchasers to extend their payments over too long a period of time, have tightened up and require on the purchase of an automobile at least a one-third down payment and full payment in not longer than eighteen months. That the finance companies have conducted their affairs with due regard not only for their own solvency but for the ability of buyers to pay is indicated by the very low percentage of losses through non-payment. Even in the years of greatest unemployment and serious business depression, losses have been very small. In 1936 losses were 1.2 per cent.

As to the accusation that excessive installment selling caused the latest business slump, this appears to have been ably refuted by Mr. A. E. Duncan, Chairman of the Board of Commercial Credit. He points out that, according to the

(*Please turn to page* 654)

For Profit and Income

All Ears

The question of the moment—how close is the analogy between August, 1938, and the same month a year earlier? A year ago the market fell away from its summer highs apparently on news of the undeclared war on China. The true reason in the shape of declining business did not long remain hidden. Nervousness in recent weeks has on the surface been caused by European tension. The probabilities are all in favor of this explanation, but some uncertainty continues to exist.

. . . Movie shares have been outstanding. Loew's managed to gain several points in a negative market, and Paramount and Twentieth Century-Fox followed along. Prospects for autumn pictures and attendance are attractive. . . . Another seasonal group, the retail stores, should come in for attention a little later. If business is to be good this winter, a little forehandedness in picking up these issues should be well repaid. . . . Will the C. & O. come to the rescue of the Nickel Plate? Erie was allowed to fall into receivership, but the situation is more suitable for first aid tactics in the case of the New York, Chicago & St. Louis. Deferment of interest on one of the latter's obligations cost both stocks and bonds of the road as much as four points overnight. . . . Liquid Carbonic is to meet in the middle of the month for consideration of a special dividend. Earnings seem likely to justify a modest one. . . . The break on August 29 cost General Motors 3 points, Chrysler 4½, of which exactly half was regained the next day. The motors are watched carefully as having supplied a high grade of leadership in July and August. . . . Good practical politics would seem to place the baking industry in line for some of the monopoly investigators' attention. . . . A building code in Chicago forbids the use of steel for certain construction purposes. Perhaps it would help the cause of labor if nails were outlawed in frame structures and wooden pegs came back. . . . Some brokers report that credit balances of their customers are as high and debits as low as before the market started upward in June. The buying power is there, subject to widely divergent guesses as to when and at what price level it will be used.

Movietone News

Rail equipment makers are more or less resigned to a hesitant recovery in their domestic business. In South America, however, prospects are looking up. One locomotive has already been loaded into this ship bound for Chile, causing the sharp list which will be corrected when another enters the hold. Brazil and Venezuela are other potential markets.

Crude Oil and Its Products

At the same time as the announcement of a new sixteen-year low in stocks of crude oil comes the Texas decision to restrict production to five days a week instead of the six now permitted. Although crude inventories are very firmly in hand,

both gasoline and fuel oil supplies have been built up to the point where they constitute a threat to the price structure. Action to limit output was indeed probably hastened by irregularity which cropped out in prices. The psychological effect of the failure to reduce gasoline inventories more drastically has made itself felt in the market, where leading oils have been under slight but steady pressure for weeks. This minor crisis appears no more difficult of solution than any of the many others through which the industry has successfully passed.

Tax Switching?

International Nickel, one of the aristocrats of its group, has been nothing more nor less than a dud in its recent market action. Some of the investment trusts, Lehman Corp. for instance, sold Nickel in the second quarter, and there is always the possibility that they have continued to liquidate their holdings of it. This is one of the few issues in which paper profits are likely to exist, offering an inducement to take profits and pair them off against losses in other metals.

Developments in Companies Recently Discussed

Consolidated Oil is reported to have placed privately a twelve-year loan in the amount of $25,000,000. Plans call for the redemption of the preferred stock, of which 54,041 shares are in the hands of the public. At the call price of 105, this will use somewhat under $5,700,000, leaving over $19,000,000 to be applied to purposes deemed advisable. Savings on the amount used for redemption should amount to 2% or better, since the preferred dividend is $5.00 and the interest rate on the new loan is probably no higher than 3%.

Allis-Chalmers has shown an excellent sales and earnings record over the past dozen years, but not until the Federal Trade Commission made its report could the figures be broken down to show just where the gains were occurring. Agricultural machinery accounted for 23.6% of sales and 10.9% of profits in 1929, while in 1936 this division had grown to 58.2% of sales and 66.4% of profits. The trend has since continued, with estimates placing current farm implement business at as high as 75% of the total.

Boeing Airplane has proven an exception to the rather consistent trend of aircraft makers' earnings. Losses were shown in the first two quarters of 1938, the total amounting to $93,761 as contrasted with a profit of $253,897 in the first half of last year. Sales showed a large drop, principally because much of recent work has been for later delivery, and although a pickup in this respect is anticipated there is doubt as to an immediate recovery of earning power. Models now in hand, however, hold promise of becoming eventually very profitable, as volume production is attained.

Youngstown Sheet & Tube stockholders have agreed to surrender their preemptive rights to purchase common stock, thus clearing the way for the postponed financing through convertible debentures. A $30,000,000 bond issue is contemplated, somewhat over half of which will go toward additions and improvements to plant, the balance to eliminate bank loans. Holders of the common stock who have allowed a conversion privilege to be attached to the bonds will presumably benefit in roughly proportionate degree because of the more attractive rate at which the company will be enabled to sell the issue.

Western Union has installed an experimental machine in the office of Brown, Harriman which transmits facsimile messages over the wire by means of an electric eye. Observers are impressed with the complete elimination of errors and with the low cost of the new machines. As a new factor in the competition between Western Union and American Telephone this device may prove important.

American Rolling Mill provided a shock for the market by passing the dividend on its relatively new issue of 4½% preferred stock. Owners of steel issues are uncertain of the future effects of lower prices and basing point alterations. The Rolling Mill action could be read as an unfavorable straw in the wind, although by no means a conclusive sign. At any rate, the stock dropped 14 points.

B & O Bondholders to Cooperate

It has been announced that large institutional holders of Baltimore & Ohio obligations are willing to accept a contingent basis for their interest coupons. The management had proposed that interest payments be made only when earned for the life of the bonds, which in some cases would mean a great many years, but a compromise has been reached setting relatively short terms during which the agreement will be in force. As an alternative to receivership with all its delays and uncertainties, the plan has the merit of permitting full scope for an early comeback of the road and a return to regular coupon payments. Success of the B. & O. in handling its dilemma in this way will probably induce other roads to follow suit.

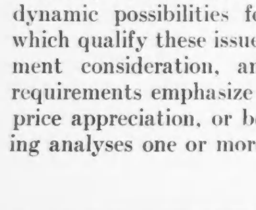
A Pennroad Proxy Fight

Owners of Pennsylvania Railroad stock back in 1929 received a distribution of Pennroad Corp., formed as a holding company for certain rail securities, but they did not receive the right to control their newly acquired company by voting their stock. A voting trust agreement was made which resulted in securing control of Pennroad by Pennsylvania interests. This agreement expires in May of next year, and it can be renewed only with the consent of all stockholders. An independent committee is fighting renewal on the grounds that the two companies may be on opposite sides of a single deal if Pennsylvania should buy any of the Pennroad holdings, and therefore identical control would result in a bad bargain for someone. Under the charter terms which call for 100% assent, the voting trust appears doomed to expire next spring. It may be found more difficult to change the seat of practical working control.

Stocks With Earning Power Plus

Selected by THE MAGAZINE OF WALL STREET STAFF

Each of the common stocks which have been chosen for this discussion may be credited with having a definite "plus" factor. Not only have these companies demonstrated substantial earning power in the past; each is favored by certain outstanding features which set them apart from the rank and file of common stocks. These features include marked stability of earning power, successful development of new products and markets, an established stake in industrial fields having dynamic possibilities for future growth, etc. All of which qualify these issues as eminently suited for investment consideration, and the investor, whether his requirements emphasize dependable income of potential price appreciation, or both, will find among the following analyses one or more issues meeting his needs.

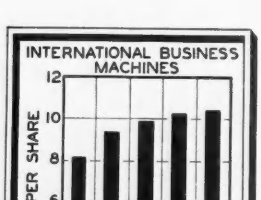


Mead, Johnson & Co.

For the investor seeking a liberal and dependable income backed by an outstanding record of sustained earning power, the shares of Mead, Johnson & Co. offer unusual inducements. The company engages in the manufacture of food specialties and medicinal preparations for infants and largely through the medium of doctors and hospitals has built up an excellent reputation for its products. Probably the best known of the company's extensive list of products are the trade-marked items of Dextri-Maltose and Pablum. All products are distributed throughout the United States and in a number of foreign countries as well. Adequate plant facilities are augmented by a completely equipped chemical and bio-chemical laboratory for research purposes and the study of infant feeding problems.

Dividends have been paid in every year since 1927, at an annual rate of not less than $3 a share. With the exception of the years 1927, 1928 and 1933, regular dividends were augmented by extras. In every year since 1927 substantial profits have been shown, averaging for this period slightly over $7 a share for the common stock. The least the company has shown in any year over the past decade was $4.91 a share in 1933. The peak of earning power was set in 1929 when the equivalent of $9.51 a share was shown. In 1936 and 1937 net earnings of $1,575,732 and $1,573,685 were within about $100,000 of the 1929 record. Owing, however, to somewhat higher costs in 1936 and 1937, per-share results amounted to $8.83 a share and $8.82 a share, respectively. In the first six months of the current year, the company reported a net profit of $762,193, equivalent, after preferred dividends, to $4.26 per share on the common stock. The current showing compares with net of $736,187 in the first six months of 1937. The latter was equal to $4.10 a share. Considering the adverse circumstances which have existed this year, the company's ability to enlarge upon its 1936 showing was an exceptional achievement.

Contributing to the company's outstanding record is a modest capitalization. In addition to the 165,000 shares of common stock, there are only 170,000 shares of 7 per cent preferred stock, $10 par value. Current assets as of June 30, last, including over $2,350,000 cash and marketable securities, amounted to $4,260,902, and current liabilities were $957,111. Dividends last year, including an extra of $4, totaled $7, and thus far in the current year the company has paid, in addition to the regular dividend of 75 cents quarterly, an extra of 75 cents quarterly. Recently quoted on the New York Curb Exchange at 124, the shares afford an opportunity to acquire one of the more conservative of common stock mediums.



International Business Machines Corp.

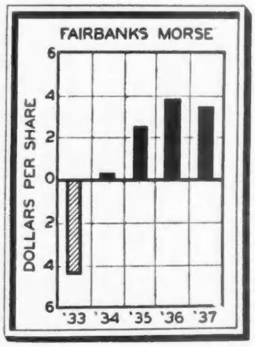
International Business Machines Corp. is prominent among that aristocratic group of companies which this year has been able to expand earnings over last year's level. In the first six months of this year, International Business Machines reported a net profit of $4,019,303, equal to $4.93 a share on 814,674 shares of capital stock outstanding. This compares with a net profit of $3,940,059 or $4.83 a share in the first half of 1937. In each of these periods, the company charged off $385,768 and $437,989, respectively, representing profits in blocked foreign currencies. Second-quarter earnings this year were practically on a par with those for the same months a year ago. The com-

pany's current showing takes on added significance when it is noted that last year's sales and profits established a new high record. Earnings for all of 1937 were equal to $10.42 a share, comparing with $10.22 a share in 1936. The company's lowest year of the depression was 1933, with net of $5,736,425, which latter figure, however, topped the 1928 net income and was some 50 per cent above the average earnings of the years 1925-27.

International Business Machines is a leading manufacturer of specialized tabulating and assorting equipment and of the necessary cards and forms used with such equipment. Other products include time-recording machines, weighing equipment, electric typewriters, traffic recorders, alphabetical printing punchers, time stamps, machines for assorting, listing and totaling bank checks, etc. Products are sold in seventy-nine countries. Stability imparted to earnings is mainly the result of the company's policy of renting a considerable portion of its equipment. Today, revenue from rental of equipment is the most important single source of income.

To obtain needed working capital for expansion the company in 1936 sold $10,000,000 of debentures privately at the low rate of 3 per cent. Late in December last year a second issue of $5,000,000 of debentures was privately marketed at the rate of 3½ per cent. These obligations constitute the only capitalization ahead of the capital stock.

A regular dividend of $6 a year is distributed, plus a 5 per cent stock dividend. Earnings are likely to show gradual rather than marked expansion in the months ahead, a prospect which must also admit the possibility of static market action. As a conservative investment vehicle, however, the shares may be endorsed, practically without qualification. Recent quotation 161.



Fairbanks, Morse & Co.

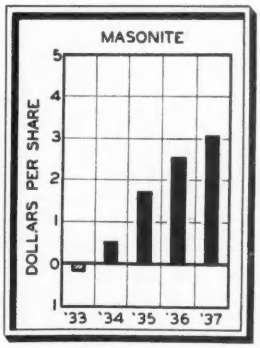
Although Fairbanks, Morse & Co. is one of the foremost manufacturers of all kinds of weighing apparatus, the company is primarily a manufacturer of internal combustion engines, Diesel engines and electric motors. Other products include electric generators and magnetos, pumps and auxiliary pump equipment, railroad equipment and supplies and farm and household appliances. In the development and manufacture of Diesel engines, the company ranks high among the leaders in this comparatively new and potentially dynamic field. The company's line of Diesel engines is an extensive one ranging in size from 10 to 1,400 horsepower for marine purposes, and around two score sizes for stationary installation suitable for any purpose except the largest type of power station. In the main, the company's principal outlet is provided by marine, municipal and industrial installations.

While the company produces a diversified and largely complementary line of products, most of them are supplied to other industrial manufacturers and fall in the durable goods category. They are products for which demand is extremely sensitive to the general state of business and the willingness and ability of industrial managers to spend capital funds for replacements and new facilities. As a consequence, earnings of Fairbanks, Morse have fluctuated rather widely. In the depression years, 1931, '32 and '33, the company reported deficits of about $8,850,000 after depreciation, and in 1931 and 1932 operating losses totaled about $3,831,000.

Economies effected during these years resulted in lowering the company's "pay point," with the result that a rising sales trend in the years subsequent to 1933 produced an effective gain in earnings. A recapitalization in 1935 eliminated accumulated preferred dividends and at the present time the capital structure is made up of $5,561,263 4 per cent debentures, 10,958 shares of $6 convertible preferred stock and 598,525 shares of common stock.

Last year, Fairbanks, Morse reported a net profit of $2,148,432, equivalent, after depreciation, taxes and preferred dividends, to $3.45 per share on the outstanding common stock. The showing last year compared with net income of $2,252,941, equal to $3.81 a share in 1936. In the first six months of the current year sales were off about $4,600,000 from the comparable months of last year and net profit declined to $51,780, from $1,003,032 in the first half of 1937. Current profits were equal to 3 cents a share for the common stock, contrasting with $1.59 a share in the corresponding months a year ago.

Total dividends paid last year amounted to $2 a share, but, faced with the decline in earnings this year, directors preferred to act conservatively and the previous quarterly payment of 25 cents per share was omitted in June. Meanwhile, it is a safe assumption that the company has maintained its characteristically sound financial position. Although admittedly speculative, the potential promise of growth in the Diesel engine industry lends considerable merit to the shares as a longer term proposition. Current levels around 36 compare with a current low of 19½ and do not appear unduly high in relation to the company's demonstrated ability to show rapid recovery of earning power under favorable conditions.



Masonite Corp.

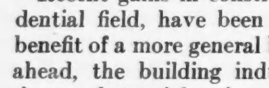
The "plus" feature in Masonite Corp. arises from the company's ability to apply a low cost manufacturing operation to a cheap and plentiful raw material, getting a useful product therefrom and obtaining a favorable price for it from the ultimate consumer. The Masonite process enables the company to take cheap wood and transform it into wood fibreboard, which for literally hundreds of uses is superior to lumber. The product is tough, durable, water-resistant and, in the proper thicknesses, constitutes effective insulation against heat or cold. Approximately half of the company's market lies in the field of construction, the rest in the field of industry, com-

merce and transportation. During the past two years the company has also entered the growing field of plastics with a resin-based plastic board. Although not officially reported, the physical volume of the company's business is known to have more than tripled since 1929. Under the none too favorable economic conditions of 1935, it not only recovered all ground lost during the depression but showed profits more than double those of 1929.

Capitalization of Masonite is moderate, there being no funded debt outstanding, and only 19,654 shares of $5 preferred stock outrank in claim the 536,740 shares of common stock.

The company's latest current report covers the forty weeks ended June 4, last, and disclosed a net profit of $798,623, equal after preferred dividend requirements to $1.35 a share on the outstanding common stock. This compares with $1,318,081, or $2.29 a share on 536,702 shares, in the forty weeks ended June 5, 1937. Considering the relatively unfavorable conditions which prevailed during the current period, and particularly emphasizing the slump in construction activity, the company's showing may be regarded as wholly satisfactory. For the full current fiscal period, the company may show better than $1.75 a share for the common stock. This would compare with $3.04 in the 1937 fiscal year. Thus far this year the company has maintained regular quarterly dividends at the rate of 25 cents per share and recently announced a 50-cent extra.

Recent gains in construction, particularly in the residential field, have been very heartening and with the benefit of a more general business recovery in the months ahead, the building industry as a whole promises to show substantial gains. The effect of these gains in terms of earning power for Masonite Corp. should likewise be substantial. Recent quotations for the shares around 52 compare with the current high of 57⅞ and the low of 25. While the company's improved outlook obviously has not gone unrecognized marketwise, any reaction in the market would afford an opportunity to acquire a promising stake in the building industry.



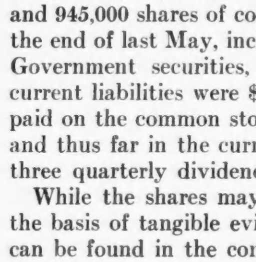
Dow Chemical Co.

Typical of the unceasing progress displayed by the chemical industry as a whole, Dow Chemical has pioneered in the development of many new products and processes which have found a waiting market. Favored by other fundamental factors inherent in the chemical industry, the company has been able to operate profitably even under the most adverse conditions. Activities of Dow Chemical may be divided roughly into three major divisions—pharmaceuticals and fine chemicals, industrial chemicals, and magnesium metal and metal alloys. Dow is the leading producer of bromide and magnesium and has also developed a magnesium alloy known as "Dowmetal," the lightest available metal. Another subsidiary, Dowell, Inc., has a patented process for increasing the flow of oil wells. The chief users of the company's products include the petroleum, plastic manufacture, rayon, textile, dye, leather and rubber industries. Recently the company placed in operation a new plant for the production of "Thiokol," a synthetic rubber.

Drawing many of its customers from basic industries, it is hardly to be expected that Dow Chemical would be entirely immune from the slump in business which has occurred over the past year. The company's decline in sales and earnings, however, was below the average. For the fiscal period ended May 31, last, net of $3,895,269 was equivalent to $3.91 a share, after preferred dividends, on 945,000 shares of common stock. Profit in the year ended May 31, 1937, was equal to $4.15 a share on the common stock. The company's profits in the year ended May 31, 1936, were the largest in its history, net in that year having been equal to $4.48 a share, and throughout the general business depression of the early '30's operations were consistently profitable.

Capitalization is comprised of $5,000,000 3 per cent debentures, 30,000 shares of 5 per cent preferred stock and 945,000 shares of common stock. Current assets, at the end of last May, including $2,494,314 cash and U. S. Government securities, amounted to $13,276,543, and current liabilities were $3,343,732. Aggregate dividends paid on the common stock in 1937 totaled $2.85 a share and thus far in the current year the company has paid three quarterly dividends of 75 cents a share.

While the shares may appear amply high at 130, on the basis of tangible evidence, considerable justification can be found in the company's longer range potentialities. It is worthy of note that the company, having access to ample supplies of cheap raw materials and employing a comparatively small amount of labor in relation to output, is unlikely to be seriously affected by either of these problems in a period of sharply rising costs and prices.



Eastman Kodak Co.

Earnings of Eastman Kodak Co. last year were the highest in the company's history. Net was equal to $9.76 a share, contrasting with $8.23 a share in 1936. Although familiarly known as the foremost manufacturer of cameras and photographic supplies, these activities by no means represent the whole of the company's business. For example, the company's cellulose acetate division is now producing rayon and plastics. Output of various chemicals also has been increasing and the latter line now includes several hundred items.

For the twenty-four weeks' period ended June 11, last, net profit totaled $7,051,673, equivalent after preferred dividends to $3.05 a share on the common stock. In the corresponding period a year ago, net profit amounted to $11,475,066, equal to $5.01 a share of the common. The decline in earnings this year reflects largely the slump in industrial takings of acetate (*Please turn to page 656*)

Answers to Inquiries

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2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
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American Sugar Refining Co.

With the quarterly dividend recently passed, I am deeply concerned about American Sugar Refining common of which I have 100 shares. Will you kindly comment whether to retain this stock or possibly average at present prices. I bought it for its speculative possibilities last year, paying 55⅜.—G. F., Boston, Mass.

The uncertainties which beset American Sugar Refining Co. during the early months of 1938, continue unabated. Profits for the first six months of the current term are understood to have been highly unsatisfactory, and the outlook for the last half, while a trifle better than the previous six months, is far from bright. Currently, there is a price war in refined sugar, which is particularly bad when it is considered that this is a period of high consumption when refiners realize the largest proportion of profits for the year. American Sugar Refining Co., as the leading factor in the cane refining industry on the Atlantic Seaboard, suffers additional troubles besides those present in the sugar trade generally. The worst of these is the high labor cost of American's refineries, competition from southern refineries with lower labor costs, unsatisfactory consumption of sugar and a steady decline in raw sugar prices which involves an adverse inventory situation. While we have painted a rather drab picture, so far as the immediate outlook is concerned, there are several constructive features which cannot be overlooked. The company has never concluded a year with a deficit and has omitted payments on the common only once in its history. We do not believe that 1938 will prove an exception, when it is considered that if prices stop declining further inventory write-downs will be unnecessary, thus stemming the downward trend of profits. While it would be entirely too optimistic to believe that 1938 profits will reach the $2.20 recorded during 1937, we do not believe that the decline will be too drastic. In view of the strong financial position (current assets compared to current liabilities at the ratio of approximately 5 to 1 as of December 31, 1937) the excellent past record and the rapidity with which earnings could recover, the shares of American Sugar might be held as opposed to acceptance of a sizable loss. However, averaging is not advocated.

Chicago Pneumatic Tool Co.

For price appreciation, we have been holding 500 Chicago Pneumatic Tool common. Our shares were acquired in 1937, at 29⅝. The earnings outlook for this stock is what we are chiefly interested in, and your latest advice will be eagerly awaited.—D. W., Chicago, Ill.

The depressed state of the steel, automotive and building industries caused earnings of Chicago Pneumatic Tool to fall off sharply during the initial half of 1938. For the six months ended June 30, 1938, a profit of only 5 cents a common share was recorded, against $1.50 a share for the initial half of 1937. These earnings figures are, of course, based upon the new capital set-up which was only recently consummated. Currently, there are outstanding 70,000 shares of $2.50 prior preferred, 481,135 $3 preference and 335,320 shares of common stock. The company is, as its name implies, primarily interested in the manufacture of pneumatic tools, although diversification of products includes the manufacture of bits, hammers, air compressors, and Diesel and semi-Diesel motors. Furthermore, manufacturing costs and over-head are sizable, and a large inventory position is required. Nevertheless, the company came through the depression with aggregate losses of less than $1,500,000, and a good financial standing was continued by omission of preference dividends. It is anticipated that third quarter earn-

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ings will closely approximate those registered during the quarter just ended. Of longer term significance, is the coming Government's pump priming campaign and renewed activity in building of ships both for the Navy and merchant marine. These developments, if anywhere near as large as now anticipated, mean that future profits of Chicago Pneumatic Tool should be good. It will be some time, however, before dividends can be instigated on the common issue. The good leverage enjoyed by the common, makes the junior equity excellent holdings for those who are primarily interested in speculative price appreciation.

American Home Products Corp.

In my portfolio are 300 American Home Products shares, purchased at 51. Does this investment offer both a generous yield and satisfactory enhancement prospects? What of the dividend outlook? Does the recent acquisition of S. M. A. Corp. materially dilute the earning power of my stock? —B. H., Mobile, Ala.

Since its inception in 1926, American Home Products' policy has been to acquire new properties which would further diversify its output. The latest acquisition is S. M. A. Corp., and we find that now American Home Products, through its subsidiaries, produces everything from medicinal compounds to floor waxes. This diversification has led to relatively stable earnings over the past decade and the company should have no trouble in maintaining the regular 20 cents per month dividend payments. Naturally, all of the effects of the business recession could not be avoided, hence earnings for the initial half of 1938 suffered somewhat, and declines to $1.83 a share from $2.10 a share sustained in 1937. Since the major portion of profits is gained from branded lines, which are subject to keen competition, promotional costs loom large in operating expense. During the past, however, American Home Products has been able to absorb these charges comfortably and has reported satisfactory profits in each year since its organization. Capitalization is simple, there being only one class of stock outstanding. As of June 30, 1938, there were 741,060 shares of $1 par common stock out. It is not believed that the acquisition of the S. M. A. Corp. will have any dilutory effect upon the capital stock. In any event, the company should have no difficulty in maintaining their excellent trade position and register still better profits if the current optimistic outlook is justified. The shares, on an income basis appear to possess well founded merit.

Atlantic Refining Co.

Is Atlantic Refining, purchased at 36¼ in 1937, definitely worth retaining for dividends and appreciation from this point? Kindly comment, for the benefit of a very old subscriber, on its competitive position in view of the fact that it must purchase the major portion of its crude refinery requirements. —O. A., Detroit, Mich.

During the first quarter of 1938 Atlantic Refining enjoyed a higher net income, due to a substantially larger volume. However, in the second quarter, volume was not as great and unit profit margins declined and earnings of only 25 cents per common share were recorded, against profits of 39 cents a year earlier. For the six months ended June 30, 1938, profits amounted to 96 cents a share, against $1.18 for the like interval a year earlier. It is indicated that profits will continue to be restricted due to the fact that Atlantic still purchases the major portion of its crude requirements and the narrow spread between the crude and the refined product does not allow large margins in profits. A meeting has been called for September 12th to authorize an increase in indebtedness and common stock to enable funding of bank loans and provide for other capital expenditures. This amount is not to exceed $50,000,000 and will fund bank loans to the extent of $15,000,000 and increase the common stock authorized from 4,000,000 to 5,000,000. These funds will also be utilized to continue to increase the efficiency in the refining facilities of the company. On the other hand, it is doubtful if refined product prices will reach 1937 levels, and it is also anticipated that gasoline consumption will lessen during the coming months. It is highly improbable, therefore, that Atlantic will show full 1938 results equal to the $3.51 sustained during 1937. Although near term prospects are rather static, commitments held for the longer term need not be disturbed.

American Brake Shoe & Foundry Company

Last year, when the railroad business outlook appeared promising, I bought 100 shares of American Brake Shoe at 72½. Do you think this stock will rebound sharply upon settlement of the railroad wage question? Would you average now?—L. P., Syracuse, N. Y.

Accumulation of large inventories of materials and supplies by railroads during more normal times, indicates that future sales of American Brake Shoe & Foundry may be somewhat static. For the six months ended June, 1938, net profit of American Brake Shoe & Foundry showed a sharp decline, earnings on the common being only 44 cents a common share, as compared with $2.29 a common share during the like interval a year earlier. Bookings and shipments suffered a decline of about 60% for the half, as compared to the 1937 initial half. However, sales in the second quarter, as compared with those of the first quarter, decreased only nominally. It is anticipated that this rate will continue during the latter half and that full year profits will fail, by a slight margin, to reach $1 per share. In view of the past record of the company (dividends have been maintained in every year since the company's inception, even during the deficit year of 1932) it is believed that the 25 cent quarterly dividend rate on the common will be maintained. It might be pointed out that the outlook for the industries served by American Brake Shoe is a little more optimistic at this writing. Work has begun on 1939 automobile models and carloadings of railroads are in a rising trend. Obviously, speculative, the shares of American Brake Shoe and Foundry have, in our opinion, sufficient merit to warrant continued retention, where one realizes that emphasis is on longer range possibilities, rather than near term.

Electric Storage Battery Co.

What would you do with 100 Electric Storage Battery? My shares represent a considerable loss, having cost me 46½ three years ago, when business recovery seemed certain. I have held the stock as a semi-investment. Will dividends be earned? —E. J., Dallas, Texas.

Although no earnings statements have been published so far in 1938 for Electric Storage Battery, it is not

believed that earnings were sufficient enough to cover the $1 in dividends declared for the initial half of the year. A statement by the president of the company indicated that orders were being received at a rate well below the trend of 1937. The last half of the year is always a more favorable time for Electric Storage Battery, because it is during that interval that production is begun on new automobile models. As the automotive industry normally absorbs over half of the company's output, it can readily be seen that the more optimistic outlook for that business will be constructive to future earnings of Electric Storage. Attempts have been made to diversify the company's products by adapting them to new uses. This policy will probably continue, but we believe that the automotive industry will continue to be a big factor in movements of the company's products. On the other hand, increasing competition in the replacement field, from mail order houses and chain accessories stores selling batteries, may work against the future profits. Nevertheless, the well established trade names of "Exide" and "Willard," will probably continue to enjoy a high rate of demand from replacement sources. The prestige enjoyed by the company's products is exemplified in the excellent earnings record compiled over a long period of years. Profits have always been shown, and dividends always paid even in the worst depression years. Even if the company does not earn its full $2 dividend rate, we do believe that the full disbursements will be made. As the shares are reasonably priced in relation to current earnings, and have not fully taken into consideration the favorable longer term factors, we believe retention of your holdings is the most logical course to pursue.

Simmons Company

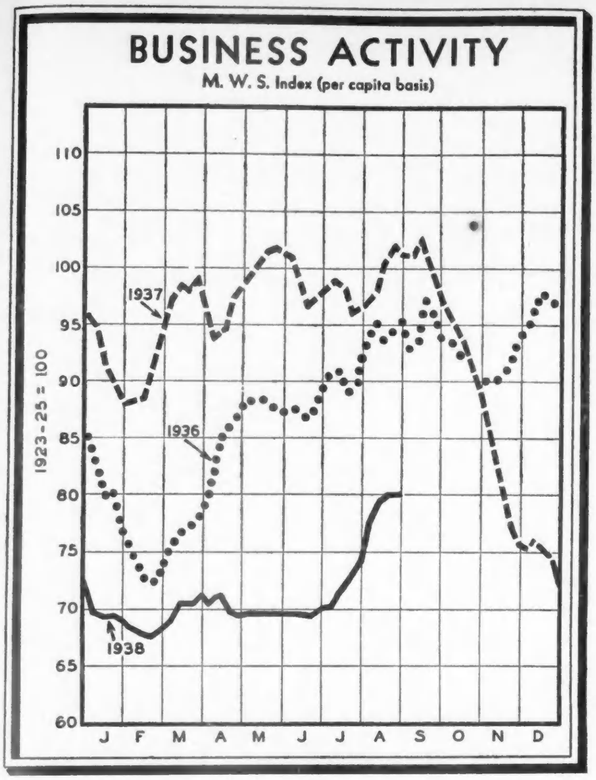
Is Simmons common headed for market leadership in this recovery? I would like your opinion on its prospects based on an improved inventory position, the probability of higher furniture prices and a growing demand for home furnishings. Would you average on 100 shares which cost me 56? —O. C., Indianapolis, Ind.

Volume sales of Simmons for the initial half of 1938 were off only 31% but net earnings dropped 77%. Per share earnings amounted to only 43 cents on the 1,149,286 shares outstanding which compared to $1.85 per share on a slightly smaller number of shares, sustained during the initial six months of 1937. This sharp contraction in earnings may be attributed to narrower profit margins resulting from price reductions on unadvertised lines, decreased consumer purchasing power and the efforts of dealers to reduce their inventory positions. Results during the last half of the current term, however, are expected to be materially better due to the more optimistic outlook for general business, gradually increasing consumer purchase power and the currently higher level of building activity. Moreover, during the past month Simmons has initiated large operating economies which should provide for wider profit margins during the present term. These economies, as estimated, will mean a saving of more than $1,250,000 on an annual basis. Past performances of the company have shown remarkable recuperative powers. It is only reasonable to believe, therefore, that if the business picture continues to improve, that satisfactory profits can be recorded for the full year. Even if earnings do not reach the $2.88 per share sustained during 1937 we believe that the shares represent a good speculative medium. Certainly the adverse factors prevalent are discounted in the present price of the stock. Resumption of dividend will, of course, await a more clearly defined outlook.

R. H. Macy & Co., Inc.

What are the possibilities for R. H. Macy again selling over the century mark? My stock cost 105 and was bought for income and appreciation. Will a seasonal pickup this fall carry over through next year due to the New York World's Fair?—A. W., San Francisco, Calif.

In the past fiscal year R. H. Macy & Co. was able to register an appreciable gain in volume sales. However, the difficulty experienced by large department store units in promptly and effectively reducing their costs, restricted the profit margin and per share net income declined. For the fiscal term ended January 31, 1938, earnings of $2.52 a share on the 1,655,682 shares outstanding was recorded. This compares with profit of $3.06 a share on 1,503,835 shares for the year ended January 31, 1937. Macy is commonly considered a factor only in the New York merchandising market. This is erroneous, however, as the company maintains subsidiaries and stores in Newark, N. J., Toledo, Ohio and Atlanta, Ga. These units carry a wide diversity of merchandise and are noted for their aggressive sales methods. The company has always vigorously opposed price fixing of trade marked merchandise and has developed numerous products under its own name, which are sold competitively and free of price fixing. Last year the company formed "Supremacy Products, Inc.," for the purpose of distributing Macy products at wholesale and to department stores and other retail units outside of its own selling zone. An idea of the effectiveness of the sales methods employed by Macy may be gleaned from the fact that the company reported a sales gain of 4.3% last year, against a gain of 2.8% in the sales of all department stores in the New York City area, as reported by the Federal Reserve Bank. The company's margin of profit in the latest fiscal year was 6.7% as compared with 7.7% in the previous year. So far this year, sales of the company have declined substantially due to restricted purchasing power of the consumer. During the initial quarter of the current term sales declined 7.7%. Since this date, however, volume has turned sharply upward, and it has been unofficially reported that in the past few weeks total sales have been close to levels a year ago. The excellent trade position enjoyed by Macy places it in a position to benefit substantially from the expected Fall pick-up in business, and also to participate fully in the betterment expected to be realized from the New York World's Fair of 1939. It is expected that World's Fair visitors will spend more than a billion dollars in New York City next year. These factors, plus the company's strong financial position point to a continuance of the $2 annual dividend. While an appreciation of over 100% from the year's high (48) seems a lot to expect we do believe that the shares, selling at around 43, might well be given favorable consideration both for income and price appreciation over the longer term.



HIGHLIGHTS

INDUSTRY—Recovery proceeds at somewhat slower gait.

TRADE—Better shopping weather helps retail sales.

COMMODITIES—Generally steady tone, despite war scarces.

MONEY AND CREDIT—Decline in excess reserves foreshadowed.

The Business Analyst

The swift rate at which **Business Activity** has been expanding of recent weeks carries an implication that, in certain lines at least, production has been outstripping the volume of ultimate consumption—partly by way of anticipating a rise in demand following the autumn elections and partly perhaps to beat the minimum wage and maximum hours law which goes into effect on Oct. 24. It is therefore scarcely surprising that the pace should have slackened a bit during the past fortnight; though, at around 80.5% of the 1923-5 average, per capita **Business Activity** has recovered to the best level since Nov. 6 and retraced 36% of ground lost during the slump.

* * *

Apart from its spectacular swiftness, an outstanding characteristic of the recent rebound has been its uneven distribution among the various components of our Index. **Cotton Cloth** production and **Lumber** shipments have each regained 70% of their depression losses, **Electric Power Output** 65%, and **Check Payments** 50%; whereas the **Steel Ingot Rate** has recovered only 35% of its drop from last year's peak, **Car Loadings and Bituminous Coal Production** only 10% each; while **Automobile Assemblies** have retraced a mere 7% of their contraction—all computations

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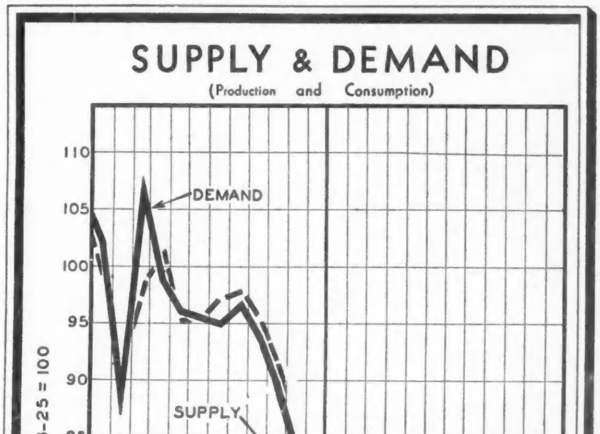

Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	June	90.3	89.6	110.3
U. S. A. (ba)	July	83	77	114
Canada	June	92.7	95.5	110.9
United Kingdom	June	110.8	109.8	120.4
Italy	June	116.1	107.2	105.4
Germany	June	125.1	126.0	177.7
WHOLESALE PRICES (h)	July	78.8	78.3	87.9
COST OF LIVING (d)				
All Items	July	86.5	86.7	88.9
Food	July	81.7	81.9	87.7
Housing	July	86.6	86.7	87.1
Clothing	July	73.5	73.9	76.9
Fuel and Light	July	84.1	83.7	84.1
Sundries	July	97.4	97.5	96.9
Purchasing value of dollar	July	115.6	115.3	112.5
NATIONAL INCOME (cm)†	July	5,140	5,268	5,766
CASH FARM INCOME†				
Farm Marketing	July	$609	$514	$740
Including Gov't Payments	July	644	559	751
Total, First 7 Months	1938	3,985	......	4,579
Prices Received by Farmers (ee)	Aug.	92	95	123
Prices Paid by Farmers (ee)	Aug.	122	123	132
Ratio: Prices Received to Prices Paid (ee)	Aug.	75	77	93
FACTORY EMPLOYMENT (f)				
Durable Goods	July	64.2	65.8	98.9
Non-durable Goods	July	89.4	86.7	104.1
FACTORY PAYROLLS (f) (not adjusted)	July	67.5	67.2	100.4
RETAIL TRADE				
Department Store Sales (f)	July	85	82	94
Chain Store Sales (g)	July	108.2	106.3	114.5
Variety Store Sales (g)	July	112.2	110.0	120.0
Rural Retail Sales (j)	July	110.2	112.4	119.1
Retail Prices (s) as of	July 1	89.2	96.0	89.5
FOREIGN TRADE				
Merchandise Exports†	July	$227.8	$232.7	$268.2
Cumulative year's total†	July 31	1,818.4	......	1,804.7
Merchandise Imports†	July	140.8	145.9	265.2
Cumulative year's total†	July 31	1,101.8	......	1,948.6
RAILROAD EARNINGS				
Total Operating Revenues★	1st 7 ms.	$1,936,049	......	$2,451,959
Total Operating Expenditures★	1st 7 ms.	1,554,186	......	1,825,155
Taxes★	1st 7 ms.	197,064	......	190,388
Net Rwy. Operating Income★	1st 7 ms.	109,335	......	360,452
Operating Ratio %	1st 7 ms.	80.2	......	74.4
Rate of Return %	1st 7 ms.	0.84	......	2.79
BUILDING Contract Awards (k)				
Total†	July	$239.8	$251.0	$321.6
Residential†	July	88.0	85.7	81.0
Public Works and Utility†	July	79.2	83.5	102.5
Non-Residential†	July	72.6	81.8	138.1
Publicly Financed†	July	97.8	143.2	130.8
Privately Financed†	July	142.0	107.8	190.8
Building Permits (c)				
214 Cities†	July	$67.7	$65.2	$74.9
New York City†	July	73.0	22.4	16.4
Total, U. S.†	July	140.7	87.6	91.3
Engineering Contracts (En)†	Aug.	$236.3	$223.3	$170.1
CONSTRUCTION COST INDEX (En) 1913—100	Aug. 1	232.39	233.10	240.65

PRESENT POSITION AND OUTLOOK

(Continued from page 641)

made on a seasonably adjusted basis.

* * *

Barring serious labor disturbances in the **motor car** industry this autumn, and in the absence of financial or military explosions abroad, the recovery in automobile assemblies should within a few months catch up with the recent improvement in other leading industries and this development would, of course, considerably accelerate the lagging **steel** industry and add something to **car-loadings,** which latter will also be helped by an expected pick-up in **coal** production consequent upon expanding orders from consumers to replenish depleted inventories and to meet rising demands from household and industrial users.

* * *

National income paid out during July was 11% below last year, compared with a cumulative decrease of 8% for seven months. **Farm income,** including benefit payments, during July was 14% under last year, against a 13% decline for seven months. Government estimates place the total for 1938 at about 7.5 billions—off 13% from 1937. Department of Labor reports a contra-seasonal rise of 140,000 in non-agricultural **employment** from mid-June to mid-July; though **durable goods** industries laid off workers seasonally. July **cost of living** was only 3% below last year; but shorter hours have cut real weekly factory wages 9%. **Department store sales** during week ended Aug. 20 were only 9% below last year, against a four weeks' decline of 11%. Inventories are 12% below last year. July wholesale trade was 18% under last year, with inventories down 16%. July **exports** were 15% below last year, while **imports** declined 47%. For seven months, the U. S. had excess **exports** of $717,000,000, against excess **imports** of $145,000,000 for the like period of 1937.

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With **carloadings** running currently about 22% below last year, July n. o. i. declined approximately 37% from July, 1937; but was 52% ahead of June. An interesting commentary on competition between trucks and the **railroads** is to be found in a recent report by the ICC which discloses that hauling costs (including a fair return on invested capital) for like distances, even as short as 75 miles, are materially less by rail than by truck. **Freight cars** on order as of Aug. 1 totaled 10,234, against only 5,021 on July 1 and 38,089 a year ago. **Locomotives** on order as of Aug. 1 numbered 49, vs. 63 on July 1 and 312 on Aug. 1, 1937.

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Outlook for the Building industry is the most encouraging since 1929. For July, **residential building contracts** awarded in 37 states east of the Rockies were 8.5% ahead of last year, compared with a seven months' decline of 18%. July **building permits** were 49% higher than a year ago, against a seven months' recession of 3%.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	July	1,982	1,638	4,556
Pig Iron Production in tons★	July	1,202	1,062	3,499
Shipments, U. S. Steel in tons★	July	441.6	478.1	1,187
AUTOMOBILES				
Production				
Factory Sales	July	141,437	174,667	438,968
Total 1st 7 Months	1938	1,244,511	......	3,127,266
Retail Sales				
Passenger Cars, U. S. (p)	July	148,900	156,393	365,767
Trucks, U. S. (p)	July	33,476	30,654	61,686
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	July	265.8	267.0	392.7
Shipments, U. S. & Canada★ (tons)	July	275.2	274.7	381.6
Stocks, U. S. & Canada★ (tons)	July 31	201.8	211.2	93.08
LIQUOR (Whisky)				
Production, Gals.★	July	3,915	4,715	7,522
Withdrawn, Gals.★	July	4,313	5,175	4,126
Stocks, Gals.★	July	470,401	471,160	448,134
GENERAL				
Machine Tool Orders (f)	July	89.6	70.2	171.1
Railway Equipment Orders (Ry)				
Locomotive	July	3	33	3
Freight Cars	July	None	1,091	1,030
Passenger Cars	July	None	None	14
Cigarette Production†	July	13,784	14,717	15,290
Bituminous Coal Production★ (tons)	July	23,460(pl)	22,470	31,990
Boot and Shoe Production Prs.★	July	30,416	26,744	34,842
Portland Cement Shipments★	July	10,163	10,932	12,240
COMMERCIAL FAILURES (c)	July	995	1,018	618

PRESENT POSITION AND OUTLOOK

Though **motor car** assemblies are currently scraping the year's low while changing over to new models, steady expansion is looked for, barring labor trouble, from now on up to a seasonal peak in October. Chairman Sloan of General Motors thinks that 1939 output will about equal the 1938 total unless general business conditions pick up substantially; but Pres. Keller of the Chrysler Corp. looks for an expansion ranging from 25% to 55%.

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Though **whisky** production in July was 48% below last year, deliveries increased 4.6%. Deliveries of malt liquors decreased 15%. Stocks of distilled spirits (including whisky) at the end of July amounted to seven years' supply (at July rate of consumption), a 6% increase over a year earlier. Stocks of malt liquors were about on a level with last year.

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All branches of the paper industry, save **newsprint,** are trending upward. July mill shipments of **newsprint** in the U. S. and Canada were 26% below last year; but stocks at mills on July 31 were only 1% above a year earlier. **Cigarette** deliveries in July, partly owing to earlier stocking by dealers in fear of a price advance and partly due to growth in the "roll-your-own" form of personal economy, slumped 10% below last year, against a seven months' gain of 0.26%.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	Aug. 27	2,134	2,139	2,295
TRANSPORTATION				
Carloadings, total	Aug. 27	620,511	597,918	783,476
Grain	Aug. 27	45,389	45,777	40,638
Coal	Aug. 27	104,366	95,293	128,106
Forest Products	Aug. 27	30,889	867,325	23,535
Manufacturing & Miscellaneous	Aug. 27	244,796	235,736	310,318
L. C. L. Mdse	Aug. 27	151,000	149,307	169,524
STEEL PRICES				
Pig Iron $ per ton (m)	Aug. 30	19.61	19.61	23.25
Scrap $ per ton (m)	Aug. 30	14.50	14.50	20.17
Finished c per lb. (m)	Aug. 30	2.300	2.300	2.512
STEEL OPERATIONS				
% of Capacity week ended (m)	Aug. 27	44.0	43.0	84.0
CAPITAL GOODS ACTIVITY (m) (week ended)	Aug. 27	54.5	54.0	104.2
PETROLEUM				
Average Daily Production bbls.★	Aug. 27	3,389	3,393	3,731
Crude Runs to Stills Avge. bbls.★	Aug. 27	3,255	3,265	3,395
Total Gasoline Stocks bbls.★	Aug. 27	71,754	72,709	67,219
Gas and Fuel Oil Stocks bbls.★	Aug. 27	146,926	147,180	111,781
Crude—Mid-Cont. $ per bbl	Sept. 1	1.22	1.22	1.27
Crude—Pennsylvania $ per bbl	Sept. 1	1.33	1.40	2.35
Gasoline—Refinery $ per gal	Sept. 1	.06½	.06⅝	.07⅝

PRESENT POSITION AND OUTLOOK

With the advent of cooler weather, which somewhat reduced the household demand, has come a perceptible widening in the margin of decline in **electric power output** below last year. Constitutionality of the "death sentence" section of the Utilities Act was challenged recently by counsel for interests connected with Utilities Power & Light Corp., foreshadowing a court test which may delay the integration of holding companies under SEC guidance.

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Steady rise in **steel operations,** now at 44% of capacity, is pushing wage reduction talk into the background. Less urgent foreign demand and influx of heavier supply have caused a little softening recently in prices for **scrap.** The **steel** industry took an average loss of $1.75 a ton on first half-year shipments, against a profit of $5.70 for all of 1937.

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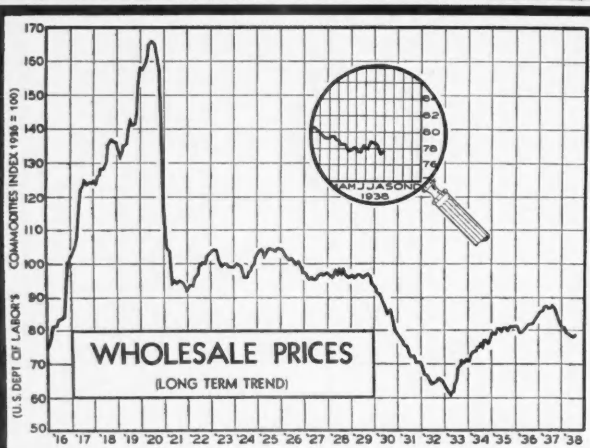
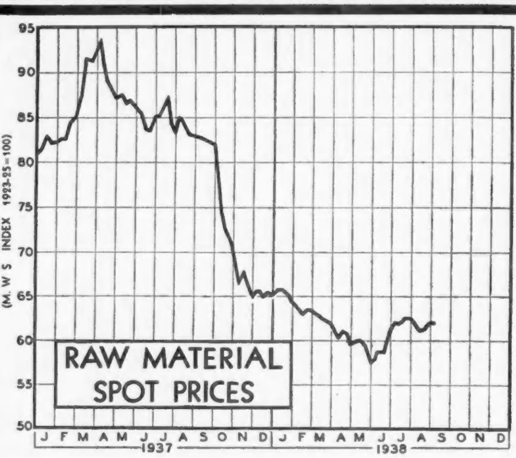
Owing to excessive inventories of **gasoline** and **Fuel Oil,** Texas has returned to the five-days-a-week schedule of **crude oil** production for September. For the first half year, exports of domestic **crude oil** increased 41% over the like period of 1937, while **gasoline** exports gained 38%. Domestic demand for gasoline was 0.25% above last year.

†—Millions. ★—Thousands. (b)—Annalist Index 1928—100. (ba)—Federal Reserve 1923-25—100. (c)—Dun & Bradstreet's. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (j)—Adjusted—1929-31—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (pl)—Preliminary. (s)—Fairchild Index, Dec., 1930—100. (En)—Engineering News Record. (Ry)—Railway Age.

Trend of Commodities

There has been little change in the pattern of commodity price movements during the past fortnight. Fluctuations in day-to-day prices of both agricultural and industrial commodities have been confined to a narrow range, imparting an appearance of firmness to representative commodity price indexes. Activities of the A A A have dominated the movement of agricultural commodities, with announcements of an increase in the corn loan, a wheat subsidy plan, and the details of the 1938 cotton loan. The farm program seems to grow more complicated weekly and it is difficult to avoid the conclusion that economic sanity is being sacrificed for expediency and politics. About the only thing that can be said in favor of it, is the possibility that next year farmers now accepting government aid will plant smaller acreages. Caution is still apparent in buyers' attitude toward primary industrial commodities.





Changes in Major Commodity Price Group for the Fortnight Ended August 27, 1938

Farm Products	67.3	up 0.3	Metals	95.4	down 0.1
Foods	73.0	up 0.8	Building Material	89.3	no change
Hides and Leather	92.4	down 0.1	Chemical	77.1	down 0.1
Textiles	65.3	down 0.2	Housefurnishings	87.8	no change
Fuel and Lighting	77.6	down 0.4			

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COTTON				
Price cents per pound, closing				
October	Sept. 1	8.23	8.24	9.60
December	Sept. 1	8.29	8.30	9.63
Spot	Sept. 1	8.35	8.36	9.58
(In bales 000's)				
Visible Supply, World	Aug. 26	7,577	7,613	4,374
Takings, World, wk. end	Aug. 26	265	295	313
Total Takings, season Aug. 1 to	Aug. 26	1,045	780	1,122
Consumption, U. S.	July	450	443	583
Exports, wk. end	Aug. 26	55	60	39
Total Exports, season Aug. 1 to	Aug. 26	194	139	180
Government Crop Est	Aug. 1	11,988	......	18,946(e)
Active Spindles (000's)	July	21,916	21,144	24,394
WHEAT				
Price cents per bu. Chi. closing				
September	Sept. 1	62⅝	62⅝	104⅞
December	Sept. 1	64¼	64½	106⅞
Exports bu. (000's) since July 1 to	Aug. 20	23,540	20,345	18,176
Exports bu. (000's) wk. end	Aug. 20	3,195	3,395	3,136
Visible Supply bu. (000's) as of	Aug. 20	107,400	101,145	116,748
Gov't Crop Est. bu. (000's)	Aug. 1	955,989	......	873,993(e)
CORN				
Price cents per bu. Chi. closing				
September	Sept. 1	52	51⅞	97¼
December	Sept. 1	50¼	49¾	65¾
Exports bu. (000's) since July 1 to	Aug. 20	29,446	26,087	81
Visible Supply bu. (000's) as of	Aug. 20	10,482	11,497	5,798
Gov't Crop Est. bu. (000's)	Aug. 1	2,566,221	......	2,644,995(e)

PRESENT POSITION AND OUTLOOK

Cotton. The Government will lend an average of 8.30 cents on this year's cotton. AAA officials do not expect that loan cotton will exceed a million bales, but private circles believe that as much as 3,000,000 bales will be pledged. During the past two years the Government has acquired about 7,000,000 bales against loans. Farmer agitation for a larger basic loan rate would not be surprising, particularly in view of the recent action of AAA in increasing corn loans. The likelihood that domestic cotton will ever regain its foreign markets is becoming dimmer and dimmer.

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Wheat. The determination of the AAA to subsidize wheat exports, probably up to 100,000,000 bushels, foreshadows an outbreak of international competition in world wheat markets, clearly implying wide scale dumping activities. The United States has the resources to carry out its end of the export program, however costly. Whether it will do so or not is anyone's guess and in the meantime the trend of prices will be obscured by the general state of confusion prevailing in the trade.

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Corn. The AAA will lend farmers 57 cents a bushel on stored corn—an increase of 7 cents over the previous loan rate. Export demand for corn continues sizable and may do so until the end of the year, unless the loan program deprives the domestic product of its competitive advantage.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COPPER				
Price cents per lb.				
Domestic	Sept. 1	10,125	10.125	14.00
Export c. i. f.	Sept. 1	10,150	10.100	14.10
Refined Prod., Domestic (tons)	July	35,596	32,465	79,611
Refined Del., Domestic (tons)	July	41,249	32,863	67,356
Refined Stocks, Domestic (tons)	July	339,970	358,971	117,741
Refined Prod., World (tons)	July	139,483	142,532	193,271
Refined Del., World (tons)	July	167,782	145,393	180,601
Refined Stocks, World (tons)	July	523,196	551,495	313,115
TIN				
Price cents per lb., N. Y.	Sept. 1	43.20	43.20	58.625
Tin Plate, price $ per box	Sept. 1	5.35	5.35	5.35
World Visible Supply†	Aug. 1	31,097	29,061	25,646
U. S. Deliveries†	Aug.	3,775	3,775	5,780
U. S. Visible Supply†	Aug. 1	11,161	9,966	11,705
LEAD				
Price cents per lb., N. Y.	Sept. 1	4.90	4.90	6.50
U. S. Production (tons)	July	31,488	35,028	45,496
U. S. Shipments (tons)	July	40,601	35,343	47,727
Stocks (tons) U. S., as of	July 31	154,231	163,346	111,103
ZINC				
Price cents per lb., St. Louis	Sept. 1	4.75	4.75	7.25
U. S. Production (tons)	July	30,362	30,799	49,181
U. S. Shipments (tons)	July	33,825	29,248	49,701
Stocks (tons) U. S., as of	July	146,208	149,671	13,561
SILK				
Price $ per lb. Japan xx crack	Sept. 1	1.77-1.82	1.77-1.82	1.90-1.95
Mill Dels. U. S. (bales), season to	Aug. 1	32,593	★	31,399
Mill Deliveries U. S. (bales)	July	32,593	★	31,399
Visible Stocks N. Y. (bales) as of	July 31	42,305	★	41,494
Visible Stocks, World (bales) as of	July 31	138,105	★	141,094
RAYON (Yarn)				
Price cents per lb	Sept. 1	51.0	51.0	63.0
Deliveries (a)	July	843	473	697
All Rayon—Month's Supply	July 31	3.1	3.9	0.2
WOOL				
Price cents per lb. territory fine	Sept. 1	68-70	68-70	101-103
HIDES				
Price cents per lb. hvy. native Chi	Sept. 1	12.0	12.0	17.5
Visible Stocks (000's) (b) as of	June 30	13,932	13,874	15,296
No. of Mos. Supply as of	July 1	8.9	8.2	7.8
RUBBER				
Price cents per lb	Sept. 1	16.25	16.50	18.375
Imports, U. S.†	July	22,918	26,011	39,108
Consumption, U. S.†	July	32,209	30,629	43,703
Stocks U. S. as of	July 31	284,914	294,566	167,094
Tire Production (000's)	July	3,353	3,109	4,292
Tire Shipments (000's)	July	3,947	4,067	5,190
Tire Inventory (000's) as of	July 31	8,201	8,763	11,654
COFFEE				
Price cents per lb. (c)	Sept. 1	7½-7¾	7½-7¾	11.375
Imports (bags 000's)	July	1,185	1,095	891
Imports, season to	June 30	12,366	......	12,467
U. S. Visible Supply (bags 000's)	July 1	1,418	1,299	1,496
SUGAR				
Price cents per lb.				
Domestic No. 3 Sept	Sept. 1	1.94	1.87	2.46
Duty free delivered	Sept. 1	2.95	2.80	3.55
Refined (Immediate Shipment)	Sept. 1	4.30	4.30	4.69
U. S. Deliveries (000's)*	1st 7 ms.	3,462	......	3,864
U. S. Stocks (000's)* as of (f)	July 31	710	......	962

PRESENT POSITION AND OUTLOOK

Copper. Domestic prices continue unchanged at 10⅛ cents. As the fall prospect now shapes up, demand promises to expand, accompanied by some further improvement in the metal's statistical position. However, the possibility of further price increases is open to doubt. Several domestic producers have resumed, or are planning to resume, production in mines closed this summer, which may have the effect of largely nullifying the implications of rising consumption.

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Tin. Domestic deliveries in August were the same as in July, which in the face of the low level of tin plate operations may be regarded as satisfactory. The belief still persists that tin plate prices will be lowered in the near future.

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Lead. July statistics, revealing the first significant decline in stocks since September 1937, were better than had been expected. Shipments increased nearly 5,300 tons; production was the smallest since February 1935; and stocks declined 9,115 tons. Continued price firmness forecast.

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Zinc. With galvanized sheet operations at 56 per cent of capacity, consumption of zinc has gained appreciably. Stocks are estimated to have been cut to about 15,000 tons which would compare with the current high of nearly 30,000 tons.

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Silk. Hosiery sales in August substantially ahead of last year, suggest that consumption of silk may have been in the neighborhood of 40,000 bales, comparing with 32,593 in July and 33,577 in August 1937. Prices have again stiffened. The new cocoon crop, however, is believed to be larger than earlier estimates.

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Rayon. Higher prices appear certain. August shipments of yarn will probably exceed the record-breaking levels of July by a small margin.

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Wool. Operations continue to expand and bookings on hand indicate a further increase in production for September. Apparel sales are gaining and stocks are low.

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Hides. Prices have shown no significant change and the statistical position remains favorable. Estimates of shoe output indicate that September figures will exceed the monthly total of 34,032,000 in September 1937.

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Rubber. Outstanding strength in rubber prices reflects more active buying on the part of domestic manufacturers to meet replacement demands for tires and tubes. Tire production increased moderately in July; shipments were slightly lower; but inventories, owing to heavy sales were down appreciably.

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Coffee. Adverse crop reports from Brazil have strengthened prices and at recent levels they are nearly 1½ cents above their all-time lows reached earlier this year.

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Sugar. Announcement by the AAA that there would be no reallotment of the beet deficit such as was made last year was followed by firmer prices. The belief is growing that the 1939 domestic quota, scheduled to be made in December, will be lower than current quotas. Refined prices may be raised in the near future.

(a)—Expressed in % (1923-25—100). (c)—Santos No. 4 N. Y. (e)—1937 Harvest. (f)—Refiners' stocks of raw and refined.
★—New season began July 1. †—Long tons. *—Short tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	Sept. 1	1¼%	1¼%	1¼%
Prime Commercial Paper	Sept. 1	¾%	¾%	1%
Call Money	Sept. 1	1%	1%	1%
Re-discount Rate, N. Y.	Sept. 1	1%	1%	1%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	Aug. 20	2,251	2,122	2,599
Cumulative year's total	Aug. 20	75,290	......	88,437
Bank Clearings, N. Y.	Aug. 20	2,854	2,731	2,984
Cumulative year's total	Aug. 20	103,225	......	124,883
F. R. Member Banks				
Loans and Investments	Aug. 24	20,713	20,632	22,315
Commercial, Agr., Ind. Loans	Aug. 24	3,890	3,900	4,586
Brokers Loans	Aug. 24	636	632	1,355
Invest. in U. S. Gov'ts	Aug. 24	7,724	7,674	8,232
Invest. in Gov't Gtd. Securities	Aug. 24	1,653	1,628	1,134
Other Securities	Aug. 24	3,119	3,107	2,991
Demand Deposits	Aug. 24	15,214	15,020	14,950
Time Deposits	Aug. 24	5,217	5,215	5,282
New York City Member Banks				
Total Loans and Invest.	Aug. 31	7,751	7,613	8,377
Comm'l, Ind. and Agr. Loans	Aug. 31	1,479	1,480	1,818
Brokers Loans	Aug. 31	561	507	1,171
Invest. U. S. Gov'ts	Aug. 31	2,869	2,820	2,933
Invest. in Gov't Gtd. Securities	Aug. 31	795	797	398
Other Securities	Aug. 31	1,080	1,045	961
Demand Deposits	Aug. 31	6,446	6,342	6,060
Time Deposits	Aug. 31	657	659	714
Federal Reserve Banks				
Member Bank Reserve Balance	Aug. 31	8,179	8,156	6,731
Money in Circulation	Aug. 31	6,503	6,470	6,532
Gold Stock	Aug. 31	13,135	13,079	12,567
Treasury Currency	Aug. 31	2,730	2,727	2,585
Treasury Cash	Aug. 31	2,480	2,417	3,719
Excess Reserves	Aug. 31	2,940	2,980	750
		Latest Month	Last Month	Year Ago
NEW FINANCING (millions of $)				
Corporate	July	180.6	294.0	139.9
New Capital	July	129.0	199.0	81.7
Refunding	July	51.6	95.0	58.2

COMMENT

In the first three weeks of August business loans of the **New York City Member Banks** increased $37,000,000, while the trend of business loans of **Member Banks** in the other 100 cities lagged conspicuously. In the week ended August 31, the statement of New York City Member Banks revealed a decline of $1,000,000 in loans to business and industry. Just how significant this interruption in the upward trend of business loans is, remains to be seen. It should not too readily be accepted as casting some doubt on the vitality of probable fall business recovery. With most of our large corporations either plentifully supplied with cash, or able to enlarge their working capital through longer term financing at low interest rates, it is possible that the trend of commercial loans has lost some of its former relationship to the business prospect. Another point currently to be considered, is the comparatively low level of commodity prices and the absence of any incentive to anticipate raw material requirements much in advance of immediate needs. In the latest week, earnings assets of New York City Member Banks were enlarged by the purchase of $49,000,000 of Treasury obligations and $35,000,000 of "other" securities. Treasury guaranteed issues declined $2,000,000. Excess reserves of all **Federal Reserve Banks** declined $40,000,000 in the week ended August 31. Reflecting Treasury financing and income tax payments this month, excess reserves may decline $500,000,000 or more, suggesting the possibility that Federal Reserve Banks may enlarge their securities portfolios.

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New financing in August increased substantially but the proportion of new capital financing was smaller than funds representing refunding operations. SEC registrations indicate a further expansion in new financing in the month ahead.

POSITION OF FOREIGN BANKS

	Aug. 24, 1938	Aug. 25, 1937
BANK OF ENGLAND		
Circulation	£478,698,000	£488,266,998
Public Deposits	23,959,000	25,376,710
Private Deposits	135,632,931	128,816,892
Bankers Accounts	101,559,981	92,819,213
Other Accounts	34,072,950	35,997,679
Government Securities	101,911,164	108,837,487
Other Securities	26,909,085	23,960,361
Discount and Advances	6,267,277	4,317,646
Securities	20,641,808	19,642,715
Reserve Notes & Coin	48,948,000	39,594,438
Coin and Bullion	327,647,577	327,861,436
BANK OF FRANCE	Aug. 18, 1938	Aug. 19, 1937
Gold Holdings	Fr.55,808,328,520	Fr.55,717,154,399
Credit Balances Abroad	22,899,339	16,004,790
Bills on France	6,755,590,850	8,269,804,521
Wheat Office Bills	....	....
Advance Against Securities	3,606,091,203	3,890,154,905
Note Circulation	99,339,965,327	88,216,281,780
Credit Current Accounts	18,931,319,983	16,638,782,416
Temp. Advs. to State	40,133,974,773	23,878,126,645
Gold on Hand to Sight Liabilities	47.19%	53.14%

COMMENT

Late reports from Great Britain emphasize the stifling effect of the tense European political situation on business sentiment in England. Despite the cheerless business prospect and weakness in rail shares on the possibility of lower dividends, sentiment on the London stock exchange has been bolstered somewhat by the more favorable business trend in the United States. Definite announcement of the conclusion of the British-American trade agreement is anticipated in the near future. Immediate results, however, will be psychological rather than tangible.

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Premier Daladier has taken heroic steps to correct the distortions which have occurred in the internal economic position of France. Buyers and sellers of gold are being forced to register. The 40-hour week has been abolished and maximum working hours raised to 48. Modification of social legislation would do much to encourage long term capital investments and strengthen the competitive position of French industry.

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	Aug. 23, 1938	Aug. 23, 1937
Gold and Bullion	Rm.70,773,000	Rm.69,529,000
Of Which Deposits Abroad	10,601,000	19,672,000
Reserve in Foreign Currency	5,950,000	6,208,000
Bills of Exchange & Checks	5,790,197,000	4,696,045,000
Investments	847,548,000	403,421,000
Other Assets	1,140,389,000	733,562,000
Notes in Circulation	6,143,200,000	4,590,226,000
Other Daily Matured Obligations	977,317,000	682,895,000
Other Liabilities	304,780,000	248,400,000
Proportion of Gold & Foreign Currency to Note Circulation	1.24%	1.65%

War maneuvers and continued weakness in industrial issues on the Berlin Boerse have aroused considerable nervousness in Germany. Meanwhile, the nation's strained financial position has led to some modification of the public works program and possible reversion to the former method of forcing banks to take huge quantities of Reichsbank credit. Banks are already heavily overloaded.

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BANK OF CANADA	Aug. 24, 1938	Aug. 25, 1937
Reserve Gold, Coin & Bullion	$180,499,000	$179,489,000
Silver Bullion	....	2,559,000
Reserve in Sterl. & U. S. Dollars	28,115,000	26,957,000
Subsidiary Coin	320,000	167,000
Dom. & Prov. Gov't Short Term Securities	121,662,000	44,887,000
Other Dom. & Prov. Securities	52,313,000	93,864,000
Other Securities	....	10,986,000
Note Circulation	159,768,000	146,396,000
Deposits—Dom. Gov't	14,339,000	26,365,000
Chartered Banks	202,374,000	176,421,000
Res. to Note & Dep. Liabilities	55.23%	59.70%

A bountiful wheat crop is moving to market in Canada and is having a stimulating effect upon business as reflected in the trend of railroad traffic and farm implement sales. Automobile production has declined with the approaching end of the current model year but retail trade is beginning to pick up again. Gains are likely to be more pronounced in the weeks ahead.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.

Country and Par	Demand Sept. 1	Demand Year Ago	Cables Sept. 1	Cables Year Ago
Great Britain ($8.2397 a sov.)	4.85½	4.96¼	4.85½	4.96¼
Belgium (16.9502c a belga)	16.88	16.85	16.88	16.85
Czechoslovakia (3.51c a crown)	3.45¼	3.49⅜	3.45¼	3.49⅜
Denmark (45.374c a krone)	21.67	22.15½	21.67	22.15½
Finland (4.264c a finmark)	2.14½	2.20	2.14½	2.20
France (par not definite)	2.72⅜	3.73½	2.72⅜	3.73½
Germany (40.33c a mark)**	40.06	40.16	40.06	40.16
Germany (benevolent mark)	18.75	.....	18.75	.....
Germany (travel mark)	21.25	26.75	21.25	26.75
Germany (emigrant mark)	3.65	.....	3.65	.....
Germany (kredit mark)	4.80	.....	4.80	.....
Greece (2.197c a drachma)	0.89¼	0.91¼	0.89⅜	0.91¾
Holland (par not definite)	54.44	55.18	54.44	55.18
Italy (5.2634c a lira)§	5.26¼	5.26¼	5.26¼	5.26¼
Norway (45.374c a krone)	24.39½	24.94½	24.39½	24.94½
Poland (18.994c a zloty)	18.87	18.95	18.87	18.95
Rumania (1.012c a leu)	0.74½	0.75	0.74½	0.75
Spain (Burgos peseta)†	10.00	10.00	10.00	10.00
Sweden (45.374c a krona)	25.03	25.59½	25.03	25.59½
Switzerland (par not definite)	22.81	22.97½	22.81	22.97½
Yugoslavia (2.981c a dinar)	2.33	2.33¼	2.33	2.33¼
Shanghai dollars (unsettled)	17.37½	29.87½	17.37½	29.87½
Hongkong dollars (unsettled)	30.42	31.12½	30.42	31.12½
India (61.798c a rupee)	36.12	37.48	36.12	37.48
Japan (84.39c a yen)	28.31	28.95	28.31	28.95
Sts. Settlements (96.139c a dollar)	56.65	58.37½	56.65	58.37½
Argentina (71.87c a paper peso)¶	25.65	30.20	25.65	30.20
Argentina (71.87c a paper peso)**	32.37	33.09	32.37	33.09
Brazil (20.25c a paper milreis)**	5.90	6.55	5.90	6.55
Chile (20.599c a gold peso)†	5.19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	56.90	56.90	56.90	56.90
Mexico, peso (unsettled)†	20.20	27.80	20.20	27.80
Peru (47.409c a sol)†	21.50	26.00	21.50	26.00
Uruguay ($1.751 a gold peso)¶	42.00	58.25	42.00	58.25
Uruguay ($1.751 a gold peso)**†	63.88	79.30	63.88	79.30
Venezuela (32.67c a bolivar)¶	31.00	32.00	31.00	32.00
Venezuela (32.67c a bolivar)**	31.62½	.....	31.62½	.....

COMMENT

The outstanding feature of the foreign exchange markets during the past fortnight has been the further decline in the pound sterling to new low levels. During this period, however, practically all world currencies declined against the dollar. In terms of sterling the London gold price reached a three-year high. The tense European political situation and the fear of war were widely accepted as the fundamental causes behind the weakness in foreign exchange. Undoubtedly they were contributory causes but not the only ones. In foreign exchange circles it is pointed out that if war fears were the sole influence, Continental banks would be eager to repatriate funds placed in London. The outbreak of war would almost certainly be followed by bank runs. For the most part Continental banks have continued to sell national currencies and build up dollar balances. At no time has there been any evidence of intervention on the part of the British Equalization Fund, thereby lending support to the contention that London is not averse to seeing the pound decline as an expedient to stimulate export trade. In the first seven months of this year Great Britain had an unfavorable trade balance of £235,400,000, a condition which has undoubtedly placed considerable pressure on sterling. Exports have declined much more than imports. At the close of the week ended September 2, pressure on sterling was aggravated by large offerings of sterling commercial bills but sterling quotations firmed somewhat when gold hoarders in London began liquidating holdings. For more than four weeks gold had been under steady accumulation in London. Any alleviation in the nervousness over the Czech crisis would undoubtedly strengthen all foreign currencies, in terms of the dollar.

†—Nominal quotations. ¶—Free rate. **—Official rate. §—Travel Lira 4.75c.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1937 Indexes High	1937 Indexes Low	No. of Issues (1925 Close—100)	1938 Indexes High	Low	Aug. 13	Aug. 20	Aug. 27
122.0	54.3	330 COMBINED AVERAGE	70.9	44.2	63.0	65.4	66.5
253.3	111.4	5 Agricultural Implements..	133.9	88.5	109.7	113.6	115.0
72.6	34.0	6 Amusements...........	42.6	24.7	36.1	37.3	41.1
146.6	52.1	16 Automobile Accessories.	81.2	43.1	72.3	76.1	81.2h
30.1	8.9	12 Automobiles...........	13.2	7.0	11.8	12.5	12.7
178.0	73.4	9 Aviation (1927 Cl.—100)	122.2	75.2	105.9	107.4	110.2
28.5	9.3	3 Baking (1926 Cl.—100)..	16.1	8.9	13.8	14.7	14.5
308.6	135.4	3 Business Machines	203.3	120.2	181.1	192.5	187.9
247.7	132.6	9 Chemicals	166.3	111.6	147.8	153.4	157.9
88.3	32.9	18 Construction	48.2	25.6	40.2	42.7	44.4
361.0	193.4	5 Containers	242.6	173.8	220.8	231.3	234.2
217.3	75.3	9 Copper & Brass.........	111.3	60.0	95.4	101.0	102.5
43.0	24.5	2 Dairy Products	28.0	23.1	24.4	24.0	23.2
42.7	15.2	9 Department Stores	25.8	12.2	23.0	24.3	25.1
108.8	45.2	9 Drugs & Toilet Articles...	56.4	40.1	51.0	50.6	53.3
388.4	182.6	2 Finance Companies......	283.0	158.1	260.6	269.9	280.8
71.9	37.5	7 Food Brands............	50.2	33.3	46.3	47.9	48.0
53.2	25.9	4 Food Stores............	30.2	20.5	26.2	26.7	27.0
122.3	46.4	4 Furniture & Floor Covering	67.4	36.9	64.6	64.0	67.4h
1160.6	894.0	3 Gold Mining	1262.1	953.7	1248.6	1240.7	1262.1h
58.6	25.8	6 Investment Trusts........	32.1	21.1	28.4	28.9	29.9
317.8	167.2	4 Liquor (1932 Cl.—100)..	194.2	140.7	173.5	177.8	187.5
209.8	97.8	9 Machinery.............	126.9	77.6	112.5	117.5	119.4
104.3	53.8	2 Mail Order.............	80.0	49.1	74.7	77.8	76.6
109.6	47.5	4 Meat Packing...........	56.5	36.5	48.1	49.9	49.2
334.1	138.6	15 Metals, non-Ferrous......	182.6	116.0	157.7	161.1	163.7
26.5	7.4	2 Paper.................	11.6	5.8	9.7	10.1	10.3
158.8	90.8	23 Petroleum..............	113.0	76.2	101.3	103.6	100.4
114.9	50.5	18 Public Utilities..........	60.1	38.8	48.6	50.5	51.4
31.7	13.3	4 Radio (1927 Cl.—100)...	17.8	10.3	15.8	16.9	17.8h
112.9	37.7	9 Railroad Equipment......	49.4	28.2	41.4	43.6	44.1
48.6	16.2	23 Railroads...............	18.6	10.6	15.6	15.8	16.2
28.5	6.9	3 Realty.................	9.5	4.7	7.0	7.0	7.0
87.6	34.9	3 Shipbuilding............	62.6	36.1	50.6	51.7	52.2
165.6	69.6	13 Steel & Iron............	85.8	55.2	74.8	77.8	80.0
45.2	21.6	6 Sugar	25.7	17.4	20.5	21.3	21.9
171.2	118.6	2 Sulphur................	169.1	118.6	156.4	158.8	162.8
85.3	43.2	3 Telephone & Telegraph...	57.4	37.6	49.7	51.2	51.6
91.8	35.3	7 Textiles................	49.7	27.9	45.8	46.5	45.1
29.2	10.7	4 Tires & Rubber..........	18.2	10.0	16.3	17.4	17.5
99.4	68.3	4 Tobacco...............	84.3	63.8	81.5	81.3	82.8
71.9	20.6	5 Traction................	33.1	15.6	29.4	29.9	28.7
346.8	157.7	4 Variety Stores..........	221.5	146.0	204.7	210.3	212.5
.....	.....	22 Unclassified (1937 Cl.—100)................	134.0	84.7	119.7	123.4	126.4

h—New HIGH this year.

DAILY INDEX OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, Aug. 22.....	70.95	140.92	28.25	99.85	99.14	396,620
Tuesday, Aug. 23......	71.03	143.70	28.96	101.79	99.51	1,075,810
Wednesday, Aug. 24...	71.28	143.53	29.25	102.86	101.53	1,235,160
Thursday, Aug. 25.....	71.39	144.07	29.61	102.26	101.03	826,570
Friday, Aug. 26.......	71.27	142.94	29.31	102.47	101.10	821,810
Saturday, Aug. 27.....	71.12	141.95	28.71	100.84	100.13	350,700
Monday, Aug. 29.....	70.49	137.06	27.48	98.76	96.75	1,248,850
Tuesday, Aug. 30......	70.33	138.26	27.69	98.46	97.13	630,650
Wednesday, Aug. 31...	70.31	139.27	27.41	98.81	97.60	461,160
Thursday, Sept. 1......	70.03	138.36	26.63	98.43	97.23	508,770

STOCK MARKET VOLUME

Week Ended Sept. 1	Week Ended Aug. 27	Week Ended Aug. 2
2,849,430	4,708,670	3,321,930
Total Transactions	Same Date	Same Date
Year to Sept. 2	1937	1936
177,176,918	268,825,765	325,701,669

COMMENTS

After a rather feeble effort to achieve a triple top during the fortnight ended Aug. 27, the stock market turned mildly reactionary during the week ended Sept. 3. In view of uncertainties in the current situation, both at home and abroad, and with a number of traders absent on vacations, it is scarcely surprising that the volume of transactions should have fallen off considerably. Going to press early because of Labor Day, it has not been possible to publish the group indexes for week ended Sept. 3; but these will appear in our next issue.

* * *

In spite of the narrow range of fluctuations, a number of groups continue to stand out as fundamentally stronger or weaker than the market as a whole. Among technically strong groups during the past fortnight were Amusements, Automobile Accessories, Automobiles, Construction, Department Stores, Finance Companies, Furniture, Gold Mining, Liquor, Radio, and Tires. Automobiles, Tires, Accessories and Finance Companies are, of course, reflecting the brighter outlook for the motor car industry. Gold Mining shares have turned strong again owing to the renewed scramble for gold instigated by the recent war scare.

* * *

Amusements, Construction, Furniture and Radio are practically new comers this year to the technically strong family of stocks. Strength in Amusement, Liquor and Radio issues reflects the onset of the normal seasonally prosperous period for these industries, plus expectations of larger business to result from Government spending and next year's great fairs in New York and California. Strength in the Construction and Furniture groups is in response to the notable uptrend in residential building activity.

* * *

Groups weaker than the market during the past fortnight include Agricultural Implements, Aviation, Dairy Products, Mail Order, Meat Packing, Non-Ferrous Metals, Petroleum, Railroads, Steel, Telephone and Telegraph, Textiles, and Traction. Dairy Products, Mail Order and Meat Packing appear here for the first time this year among the technically weak groups, though Agricultural Implement issues have been lagging for a month. Farm income is beginning to suffer from artificial price props which have overstimulated the production of wheat, cotton and dairy products and promise to bring an over supply of meat products in the not distant future. Recent weakness in Textiles may be attributable to recognition that production of recent weeks, encouraged by huge garment purchases by the PWA, has in some measure outrun consumer purchases. Tractions continued the weakness previously noted on deferred hopes for unification.

New York Stock Exchange Price Range of Active Stocks

Rails

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/31/38	Div'd $ Per Share
A								
Atchison	88½	59	94¾	32⅞	42	22¼	36	....
Atlantic Coast Line	49	21⅝	55½	18	27⅜	14	21	‡1.50
B								
Baltimore & Ohio	26½	15⅞	40½	8⅛	11	4	7⅞	....
Bangor & Aroostook	49½	39	45	30	36	29	34½	2.50
C								
Canadian Pacific	16	10⅞	17½	6⅞	8⅛	5	6¼	....
Chesapeake Corp.	100	59	90½	40	48½	27⅛	38¼	†1.85
Chesapeake & Ohio	77¾	51	68⅞	31	38½	22	29⅝	†2.00
Chicago Gt. Western Pfd.	14⅝	4	18¼	3	5⅜	2⅜	4	....
C. M. & St. Paul & Pacific	2⅞	1½	3¼	⅝	1	½	½	
C. M. & St. Paul & Pacific Pfd.	5⅞	2⅞	7¼	1⅛	1⅞	¾	1¼	
Chicago & North Western	4⅞	2½	6⅜	⅞	1¾	¾	1	
Chicago, Rock Is. & Pacific	3	1½	3⅝	¾	1¼	⅝	¾	
D								
Delaware & Hudson	54¾	36¾	58⅜	13	23½	7½	20⅛	....
Delaware, Lack. & West	23⅛	14⅞	24½	5	8½	4	7	....
E								
Erie R. R.	18¼	11	23⅝	4¼	6¼	1¾	2¾	....
G								
Great Northern Pfd.	46⅜	32¼	56¾	20½	26¼	12⅜	20½	....
I								
Illinois Central	29½	18⅝	38	8	14	6⅛	11⅝	....
K								
Kansas City Southern	26	13	29	5	13⅛	5⅛	10⅞	....
L								
Lehigh Valley	22	8½	24⅝	4¼	7¼	3	5⅛	....
Louisville & Nashville	102⅜	57½	99	48½	56½	29⅞	40⅛	....
M								
Mo., Kansas & Texas	9⅝	5½	9¾	2	3⅜	1½	2¼	....
Mo., Kansas & Texas Pfd.,	33⅜	14½	34⅝	5⅛	11½	4¾	9	....
N								
New York Central	49⅝	27¾	55¼	15⅛	21½	10	18⅛	
N. Y., Chic. & St. Louis	53⅛	17¾	72	14	22½	7	12⅜	
N. Y., N. H. & Hartford	6⅛	3	9¾	2	2¾	1⅛	1⅝	
Norfolk & Western	310½	210	272	180	198	133	166	*10.00
Northern Pacific	36¾	23⅞	36⅝	9⅞	14½	6⅜	12⅛	....
P								
Pennsylvania	45	28¼	50¼	20	24½	14⅛	19½	....
R								
Reading	50¾	35½	47	18⅛	22	10⅜	15½	†1.25
S								
St. Louis-San Fran	3⅝	1½	4¾	1	1⅜	⅝	¾	....
Southern Pacific	47⅞	23½	65⅜	17	22⅛	9¼	17¾	
Southern Railway	26½	12¾	43⅜	9	15	5½	13⅜	
T								
Texas & Pacific	49	28	54¼	15⅝	12½	7	10⅜	.40
U								
Union Pacific	149¾	108½	148¾	80	93	55⅜	89	6.00
W								
Western Maryland	12⅛	8⅛	11¾	2⅝	4½	2⅝	3½	....
Western Pacific	4	1⅞	4¾	1	1⅝	½	¾	....

Industrials and Miscellaneous

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/31/38	Div'd $ Per Share
A								
Air Reduction	86½	58	80¼	44½	65¾	40	60¾	*1.00
Alaska Juneau	17½	13	15¾	88	13⅜	8¾	10⅜	* .60
Allegheny Steel	40⅜	26⅞	45⅝	13	19⅝	17⅜	18	....
Allied Chemical & Dye	245	157	258½	145	184	124	173¼	6.00
Allied Stores	20⅛	6¾	21⅞	6⅛	12	4½	10¼	....
Allis Chalmers Mfg.	81	35⅜	83½	34	54½	34¼	48¾	† .75
Amerada	125½	75	114⅞	51½	78	55	66½	2.00
Amer. Agric. Chemical (Del.)	89	49	101½	53½	84¾	49	80¾	†2.25
Amer. Bank Note	55½	36	41⅜	10	23⅛	10	18⅛	† .60
Amer. Brake Shoe & Fdy.	70¼	40	80¾	28	42½	23¼	39¼	† .50
Amer. Can	137½	110	121	69	104¼	70¾	98½	4.00
Amer. Car & Fdy.	60½	30	71	15¼	32¼	12⅝	25¼	....
Amer. & Foreign Power	9¾	6½	13¾	2½	5¼	2¼	3¾	....
Amer. Power & Light	14⅜	7½	16½	3	7⅛	3¼	5⅛	....
Amer. Radiator & S. S.	27⅜	18¾	29½	9¼	17	9	15½	....
Amer. Rolling Mill	37	23¾	45¼	15½	22⅞	13⅛	18¼	
Amer. Smelting & Refining	103	56¾	105¾	41	56¾	28⅛	49	†1.75
Amer. Steel Foundries	64	20½	73¼	22½	34¾	15⅝	28⅜	....
Amer. Sugar Refining	63⅝	48¼	56⅞	24	31	21½	23⅞	....
Amer. Tel. & Tel.	190⅛	149½	187	140	149¾	111	143	9.00
Amer. Tob. B.	104	88½	99⅞	58¾	91¼	58¾	85⅞	5.00
Amer. Water Works & Elec.	27¾	19⅛	29½	8	13½	6	9⅝	....
Amer. Woolen Pfd.	70¾	52¾	79	25¼	43	23⅝	38½	....
Anaconda Copper Mining	55⅜	28	69½	24½	38	21	33⅝	....
Armour Co. of Ill.	7⅜	4⅝	13¾	4⅝	7	3⅞	5½	....
Atlantic Refining	35⅛	26⅝	37	18	27⅜	17¾	22⅞	1.00
Aviation Corp. Del.	7¾	4⅝	9¼	2¼	4⅞	2½	4	† .18½
B								
Baldwin Loco. Works	....	....	23¾	5	11¾	5	9⅛	....
Barber Co.	38½	21	43⅜	10⅛	23⅜	12⅛	19½	....
Barnsdall Oil	28¼	14⅛	35¼	10	21⅜	10⅛	17⅜	1.00
Beech-Nut Packing	112	85	114¾	90¾	115½	94½	115	*4.00
Bendix Aviation	32⅜	21⅝	30½	8¼	24½	8⅝	22½	....
Best & Co.	72	48	62¾	29	51	26⅞	51	†1.92½
Bethlehem Steel	77¾	45¾	105½	41	65⅞	39¾	56¾	....

New York Stock Exchange

Industrials and Miscellaneous (Continued)

	1936		1937		1938		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	8/31/38	Share
B								
Black & Decker	34½	28¾	38	13¼	20⅜	9¾	19⅞	† .25
Boeing Airplane	37⅜	16⅞	49¾	16	35½	20⅛	23½	....
Borden Co.	32⅜	25⅝	28	16	19⅝	15	15⅞	†1.00
Borg Warner	....	....	50⅝	23¾	36⅛	16½	33	....
Bridgeport Brass	18⅞	12⅛	23¼	7	12⅝	5⅜	11	....
Briggs Mfg.	64⅞	43¼	59⅞	18	37⅜	12¾	34⅞	† .25
Brooklyn-Manhattan Transit	58¼	40¼	53	7	13⅜	5⅜	9½	....
Bucyrus Erie	21¾	8⅞	25¼	6½	12⅞	5⅞	11¼	....
Budd Mfg.	15⅞	9⅛	14⅜	2¼	6¾	3¼	5¼	....
Byers & Co. (A. M.)	29⅛	16½	33¾	6	13⅝	6	12	....
C								
Calumet & Hecla	16½	6	20⅛	4	10¼	5¼	7⅝	....
Canada Dry Ginger Ale	30¾	10⅜	38¼	9½	21½	12⅛	18	† .25
Case, J. L.	186	92½	196¾	80	107½	62½	88⅛	....
Caterpillar Tractor	91	54¾	100	40	58	29⅝	47⅞	†1.50
Calanese Corp.	32¼	21¾	41¼	13	25¾	9	22⅞	....
Cerro de Pasco Copper	74	47¾	86⅜	34¾	49½	26¼	43¾	†3.00
Chrysler Corp.	138¾	85½	135¼	46⅛	77⅝	35⅜	72⅝	† .75
Climax Molybdenum	....	....	41	24½	45⅝	32½	40¼	† .60
Coca-Cola Co.	134	84	170½	93¾	142¾	105½	129	†1.75
Columbian Carbon	136½	94	125¾	65	98½	53¾	90	4.00
Colum. Gas & Elec.	23⅜	14	20⅞	4⅝	9⅝	5⅛	6½	....
Commercial Credit	84⅞	44	69¼	30⅜	50⅛	23	49⅝	4.00
Comm. Inv. Trust	91¾	55	80¼	34	56	31½	53	4.00
Commercial Solvents	24⅝	14¼	21¼	5	12¼	5⅞	10	....
Commonwealth & Southern	5½	2¼	4⅛	1	2	1	1⅛	....
Consolidated Edison Co.	48⅜	27¼	49⅞	21⅛	30½	17	26⅛	†1.50
Consol. Oil	17¼	11½	17⅞	7	10¾	7	9⅛	.80
Container Corp.	26¼	15¾	37⅜	10¾	17½	9¾	15	....
Continental Baking, A	35⅜	10⅜	37¾	7½	26⅞	8⅝	20⅞	....
Continental Can	87¼	63¾	69⅛	37½	49	36½	40⅛	†1.50
Continental Oil	44⅞	28⅛	49	24	35¾	21¼	29⅞	† .75
Corn Products Refining	82½	63⅝	71¼	50½	70⅝	53	69⅛	3.00
Crane Co.	50½	24	56½	22½	37¾	19	35¾	....
Crown Cork & Seal	91½	43⅝	100⅞	28¼	39⅞	22¼	34⅞	....
Curtiss-Wright	9¼	4	8⅜	2	6	3¼	5⅛	....
Curtiss Wright, A	21⅞	10½	23¾	8⅛	24¾	12⅝	21⅞	....
Cutler-Hammer	....	....	27	18¼	28¾	13¼	23½	....
D								
Deere & Co.	....	....	27	19½	25¼	13¾	19	....
Distillers Corp. Seagrams	34⅝	18¼	29	10	17½	11	16¾	....
Dome Mines*	61½	41½	57¼	35	34⅞	27⅛	33	† .50
Douglas Aircraft	82¼	50⅝	77¼	26½	54½	31	45½	....
du Pont de Nemours	184¾	133	180⅛	98	135¾	90½	130⅝	†1.75
E								
Eastman Kodak	185	156	198	144	181	121½	171¼	6.00
Electric Auto Lite	47½	30¾	45½	14⅞	31⅞	13¼	28⅝	† .25
Elec. Power & Light	25⅞	6⅜	26⅝	6⅛	13¾	6⅛	10⅛	....
F								
Fairbanks, Morse	71¾	34¾	71⅞	23½	39	19½	38	....
Firestone Tire & Rubber	36¼	24⅞	41⅜	16½	25⅛	16¼	21⅝	†1.00
First National Stores	58⅝	40	52¼	26½	34⅞	24½	32⅛	2.50
Foster Wheeler	45⅜	24⅛	54½	11½	22	11	18	....
Freeport Sulphur	35⅝	23½	32¼	18	31⅞	19⅞	29½	2.00
G								
General Amer. Transpt.	76	42¼	86½	31½	51⅛	29	49	†1.12½
General Baking	20	10¾	19½	5	11⅛	6½	10	.40
General Electric	55	34½	64⅞	34	45½	27¼	41⅝	† .50
General Foods	44	33⅜	44¼	28⅛	36¼	22⅞	35⅜	2.00
General Mills	70½	58	65⅞	48	69¼	50¾	68½	3.00
General Motors	77	53⅞	70½	28⅝	50⅛	25½	47⅛	† .75
General Railway Signal	57	32½	65⅛	17	26½	12¾	20⅝	....
Gen. Realty & Utility	4⅞	2	5¾	1	2⅛	1	1½	....
General Refractories	71	33¼	70¼	18	37⅜	15⅛	32½	....
Glidden	55¼	39½	51½	19⅛	27¼	13	22	....
Goodrich Co. (B. F.)	35½	13⅝	50½	12¾	25¾	10	23	....
Goodyear Tire & Rubber	31⅞	21⅝	47⅜	16⅛	30¼	15⅛	27⅞	....
H								
Hecker Products	21⅜	12⅝	15⅞	5⅝	8¾	5½	7⅛	.60
Hercules Powder	....	....	64	50	65¼	42¾	62½	† .65
Houston Oil	13⅞	6⅜	17⅝	4¾	9¾	5	7½	....
Hudson Motor Car	22⅝	13½	23¼	4	10	5	8¾	....
I								
Industrial Rayon	41⅜	25⅝	47½	15	30⅜	14⅜	28¾	....
Inspiration Copper	24¼	6⅛	33⅛	6¼	16⅞	7⅛	14¼	....
Interborough Rapid Transit	18⅞	10⅞	13¾	1½	6¾	2⅞	5¼	....
Inter. Business Machines	194	160	189	127½	168½	130	161	*6.00
Inter. Harvester	105½	56⅝	120	53½	70	48	59⅝	†2.15
Inter. Nickel	66⅜	43¼	73⅜	37	52¾	36⅞	48⅛	†1.50
Inter. Tel. & Tel	19¼	11⅛	15⅞	4	10¾	5½	8	....
J								
Johns-Manville	152	88	155	65½	99¼	58	96⅛	....
K								
Kennecott Copper	63⅜	28¼	69⅜	28¼	44	26⅜	39⅞	† .75
L								
Lambert	26¾	15⅞	24	10⅛	14¾	8½	14	†1.12½
Lehman Corp.	....	....	43½	22¾	29	19⅜	26⅝	† .70
Libbey-Owens-Ford	80¼	47¼	79	33⅝	54⅜	23¼	50⅞	† .75
Liggett & Myers Tob., B	116½	97¾	114	83½	103¾	81½	100	*4.00
Loew's, Inc.	67⅛	43	87⅞	43⅝	56¼	33	50⅜	†2.00
Lone Star Cement	61⅞	35½	75¼	31½	56	26	51	3.00
Lorillard	26½	21⅛	28⅝	15⅜	21¼	13¾	19¾	1.20
M								
Mack Truck	49¼	27⅜	62¼	17⅜	29	16	26½	....
Macy (R. H.)	65¼	40⅛	58¼	25	49⅛	24⅞	47¼	2.00
Marshall Field	25⅛	11⅛	30⅞	7¼	14½	5½	12	....
Martin (Glenn L.) Co.	....	....	29¼	10	27¼	14⅛	22¼	....
Masonite, Corp.	64½	44	74	20	57⅞	25	52¼	*1.00
Mathieson Alkali	42⅜	27½	41¾	22	30½	19¾	28	1.50
McIntyre Porcupine	49⅜	38⅛	42½	30⅛	48¾	35½	47½	2.00
McKeesport Tin Plate	....	....	42½	18½	26⅛	13⅛	20	....
McKesson & Robbins	14¾	8⅝	16¼	5⅜	8¼	5⅜	6⅞	....

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/31/38	Div'd $ Per Share
M								
Mesta Machine	65	40⅝	72¼	33¾	47½	26¾	42	†3.00
Minn. Honeywell	112	65	120	53	87	46½	84	†1.50
Minn. Moline Power	12⅜	6½	16⅛	4⅜	8	4	6⅛	....
Monsanto Chemical	103	79	107½	71	98½	67	94	2.00
Mont. Ward & Co.	89	35¾	69	30	50	25	45¾	†1.50
Murray Corp	22¾	14	20¾	3	10¼	4	9⅛	....
N								
Nash Kelvinator	....	....	24⅝	5	12½	6¾	9¾	....
National Biscuit	38¾	28¾	33⅜	17	26	15½	24⅞	†1.20
National Cash Register	32⅝	21½	38⅞	13	30⅝	12½	26⅝	1.00
National Dairy Prod	28¼	21	26⅛	12	16½	11⅞	13⅛	† .80
National Distillers	33⅜	25⅝	35	17	26⅜	17¼	24⅛	2.00
National Lead	36½	26⅜	44	18	31	17⅛	23⅞	.50
National Power & Light	14⅞	9⅝	14¾	5	8⅜	5	6¾	.60
National Steel	78	57¼	99¼	55	66½	44¾	58¾	† .50
N. Y. Air Brake	83	32½	98½	29	40	20	30¾	....
Newport Industries	40	9	41¾	10⅛	19½	9⅞	16⅜	....
North American	35½	23⅛	34⅞	14⅛	24¾	13¾	19⅜	† .60
North Amer. Aviation	14¼	6⅝	17⅜	3	11	5⅞	9	....
O								
Otis Steel	20¾	12½	24⅜	6⅛	12	6⅜	10¼	....
Owens-Ill. Glass	....	....	103¾	51¼	74⅛	40	70	†1.00
P								
Pacific Gas & Electric	41	30¾	38	22	29¾	22¾	26	2.00
Packard Motor Car	13⅜	6⅞	12⅜	4	5⅞	3¼	4⅞	....
Paramount Pictures	25	7⅛	28¾	8½	13¼	5¾	11	....
Penney (J. C.)	112½	69	103¾	57½	85½	55	83	†1.75
Phelps Dodge	56¾	25⅝	59⅞	18½	38	17⅝	34¾	† .45
Phillips Petroleum	52⅜	38⅛	64	30⅛	44⅜	27¼	39½	2.00
Procter & Gamble	56	40¼	65½	43¼	57½	39½	54	2.00
Public Service of N. J.	50½	39	52¾	30⅜	35½	25	28½	†1.65
Pullman	69⅞	36⅞	72⅛	25½	36⅞	21⅝	30⅝	†1.12½
Pure Oil	24⅞	16	24⅜	8¾	13½	8¼	10¼	....
R								
Radio Corp. of America	14¼	9¾	12¾	4¾	8	4¾	7½	....
Radio-Keith-Opheurm	10⅞	5	10⅛	2¼	5⅜	1⅞	2½	....
Remington Rand	25	17½	29⅛	8⅛	17⅝	9⅝	15	* .90
Republic Steel	29⅞	16⅞	47¼	12¼	20⅞	11¼	18	....
Reynolds (R. J.) Tob. Cl. B	60½	50	58	40¼	46½	33¾	41¾	†2.40
S								
Safeway Stores	49⅝	27	46	18	23⅝	12	18	† .50
Schenley Distillers	55⅞	37¾	51¾	22	27½	14⅛	17½	....
Sears, Roebuck	101½	59⅝	98⅝	49¾	75½	47	70⅞	*3.00
Shattuck (F. G.)	19¾	11⅛	17⅝	6½	11⅝	6¾	9⅞	.40
Shell Union Oil	28¼	14¾	34¾	14⅞	18⅜	10	15⅞	† .35
Socony-Vacuum Corp	17½	12½	23¼	13	16⅜	10¾	13¾	.50
Sperry Corp	24⅛	15⅞	23¾	10	25¾	15⅝	23½	† .60
Spiegel, Inc	....	....	28¾	8⅛	15¼	6¼	13	....
Standard Brands	18⅛	14⅜	16¼	7½	9¼	6⅛	7¼	† .50
Standard Gas & Electric	9⅞	5⅛	14⅜	2½	5½	2	3⅝	....
Standard Oil of Calif	47⅝	35	50	27⅛	34⅞	25⅛	29⅞	*1.00
Standard Oil of Ind	48½	32¾	50	26½	35½	24¾	30	1.00
Standard Oil of N. J.	70⅜	51⅛	76	42	58⅜	39¾	52¼	*1.00
Stewart-Warner	24½	16½	21	5½	12⅛	6	10½	....
Stone & Webster	30½	14⅝	33⅝	6½	12	5½	9½	....
Studebaker	15⅞	9⅛	20	3	8⅞	3½	8	....
Sun Oil	91	70	77½	44½	59	45	53	*1.00
T								
Texas Corp	55¼	28⅞	65⅛	34¾	49⅝	32⅝	43	2.00
Texas Gulf Sulphur	44¾	33	44	23¾	37½	26	35	1.50
Texas Pacific Coal & Oil	15¼	7½	16⅝	5⅜	12½	7	10⅜	.40
Tide Water Assoc. Oil	21¾	14¾	21⅝	13⅛	15¾	10⅛	12⅝	1.00
Timken Detroit Axle	27⅞	12⅛	28⅞	8¾	16	8	14⅜	....
Timken Roller Bearing	74½	56	79	36	52¾	31¼	48½	† .75
Twentieth Century-Fox	38⅝	22½	40⅞	18½	26⅞	16⅛	26⅛	†1.00
U								
Underwood-Elliott-Fisher	102⅜	74⅝	100⅛	46¼	66	41	60¼	†2.00
Union Carbide & Carbon	105¼	71⅝	111	61¼	87	57	81⅝	†2.40
Union Oil of Cal	28½	20¾	28¼	17½	22½	17⅛	20	† .90
United Aircraft	32⅜	20⅝	35⅛	10¾	30¼	19½	26⅝	† .50
United Carbon	96¾	68	91	36¾	65½	39	59	†1.75
United Corp	9¼	5⅜	8½	2	3¾	2	2½	....
United Fruit	87	66½	86¾	52	67½	50	58⅝	3.00
United Gas Imp	19½	14⅛	17	9	11⅜	8¾	10	1.00
U. S. Gypsum	125¼	80½	137	53	97½	55	97	2.00
U. S. Industrial Alcohol	59	31¼	43⅝	16⅛	24¼	13½	21¾	....
U. S. Pipe & Fdry	63⅞	21½	72¼	24	44⅜	21½	41	2.00
U. S. Rubber	49⅜	16⅜	72⅜	20	48	21	44¼	....
U. S. Smelting, Ref. & Mining	103¾	72¼	105	52½	70⅛	55	65⅛	3.50
U. S. Steel	79⅞	46⅜	126½	48½	63¼	38	58⅛	....
U. S. Steel Pfd	154¾	115½	150	100¼	114½	91¾	111⅜	7.00
Utilities Pwr. & Lt., A	7	3⅛	4⅞	¾	1¼	½	⅝	....
V								
Vanadium	30⅝	16¼	39⅜	9¼	21⅜	11½	18¼	....
W								
Walworth Co	12⅜	5½	18¾	3¼	10¼	4½	9	....
Warner Brothers Pictures	18⅜	9¼	18	4¾	8	3¾	6⅝	....
Western Union Tel	96⅛	72½	83½	22⅛	34¼	16½	29	....
Westinghouse Air Brake	50⅞	34¾	57¾	17¾	28¾	15¾	23½	1.00
Westinghouse Elec. & Mfg	153½	94½	167⅝	87⅛	109⅞	61¾	101¾	†2.00
Wilson & Co	11	6⅝	12¼	4⅝	5⅞	3	4½	....
Woolworth	71	44¾	65⅜	34	48¾	36	44⅝	2.40
Worthington Pump & Mach	36¾	23⅛	47	12	22¾	11¼	20¾	....
Y								
Yellow Tr. & Coach, B	23¼	8¾	37⅜	7½	21⅝	8⅜	18¾	....
Youngstown Sh. & Tube	87¾	41¾	101⅞	34⅛	43¾	24	37⅛	....
Z								
Zenith Radio	42⅜	11⅛	43¾	11⅞	25¾	9	20¼	....

*—Not including extras. ‡—Paid last year. †—Paid this year. ★—Split 2/16/38.

New Horizons for Chemical Development

(*Continued from page* 617)

development since synthetic indigo, is Monostral Fast Blue BS the name given to a new and outstanding pigment dye introduced in this country recently. It has already invaded three major industries: textile dyeing, paint manufacturing and ink making.

The pigment produces extremely brilliant shades of blue. It is not water-soluble and it is particularly resistant to soaps, to the sun, and most other color destroying agents. It lends itself excellently to the manufacture of printing inks for lithography, letter press, tinplate and other fine printing. In the textile industry it is finding new uses every day.

An Interchemical Corp. development that is attracting much attention is a rapid drying ink for printing. Vaporin consists essentially of: a solid resin, a high boiling solvent, and coloring pigment. Unlike the varnish of the usual letterpress and offset inks which are changed by oxidation into a hard, dry film, the new rapid drying ink varnish merely undergoes a physical reaction in its rehardening process, or the so-called drying of its ink film. Among the many advantages of this new ink is clearer impressions on the printed page.

The old comparison "like water off a duck's back," will no longer be appropriate if minute traces of a newly developed chemical are added to water, it was recently announced by Carbide and Carbon. As a result of investigations in the field of synthetic organic chemistry, hitherto unobtainable alcohols have been made available in quantity sufficiently great to establish them as commercially valuable products. A tenth of an ounce added to a gallon of water makes the water actually "wetter," that is, the water penetrates whatever it touches almost immediately.

Tergitol wetting agents are effective and stable under most commercial concentrations of alkaline, acid, oxidizing, and hard water conditions so frequently met in all industrial processes. Even in bleaching and mercerizing baths their penetrating efficiency is retained undiminished for many days.

Disposition of something like 2,000 tons of pickling liquor per day has long been a problem to steel industry executives. Various state laws already enacted and the federal law against stream pollution have brought this matter to a crucial point. A process was recently announced whereby waste pickling liquor can be transformed into a building material, said to have remarkable insulating properties. The process now controlled by the Allied Development Corp. is relatively simple and inexpensive and the amount of capital required for equipment is small.

The Sharon Steel Corp. was the first organization to obtain a license for the use of the process and is now completing the construction of a plant in Sharon, Pa., which will produce 25 tons of Ferron per day.

The Dow Chemical Co. has gone into the field of plastics in a big way. To Strene and ethyl cellulose has recently been added a product known as Thiokol, a synthetic rubber originally developed and produced by the Thiokol Corp. and now manufactured for it by Dow. This rubber-like substance has many of the characteristics of rubber and many characteristics not found in rubber. Its principal virtue lies in the fact that it will withstand the action of organic solvents, gasoline, and oil, and therefore finds a wide use in many industrial fields. The company is also producing increasing tonnages of intermediate materials for the plastics trade.

A new spraying solution of organic composition containing no arsenic or lead is enjoying a tremendously interesting development.

Dow's partly owned Ethyl-Dow Chemical Corp. is growing by leaps and bounds. For the second time in a very few years the capacity of the sea water bromine plant near Wilmington, N. C., has been doubled. The original plant was large but if expansion continues new adjectives will have to be coined to describe adequately the tremendous size of the project. The plant extracts bromine from sea water and prepares it for use in anti-knock motor fuels.

There is an increasing demand in this country for anhydrous (water-free) alcohol for use in the lacquers, film and other industries. In several foreign countries which are largely or entirely dependent upon imports for supplies of petroleum products, anhydrous alcohol is made for use in motor fuels. In order that alcohol may be mixed with gasoline, it should not contain more than a few tenths of one per cent of water. Commercial processes have been developed recently by the U. S. Industrial Alcohol Co. and others for obtaining alcohol in nearly anhydrous condition from the ordinary high-proof alcohol, or directly from fermented wash. These increase the cost of production by not more than 1 or 2 cents a gallon.

These are a few of the many new products and processes which give the chemical industry its dynamic character and its potentialities for new markets, larger volume of sales and rising profits.

The Threat of Collapse in European Currencies

(*Continued from page* 615)

Scandinavian countries, the Portuguese, India, all of them mere currency adjuncts to England, resist currency disturbances. Denmark, for example, is in a very precarious position and can risk no monkey-business with money as her valiant people are still carefully nourishing their anemic recovery.

The pound will be sustained for some time at $4.86, or at the figure that would be the gold export point were currencies stabilized, $4.83. There has been talk of letting her slide to $4.70, to get the bears to rush in, and then take their hides up to $4.86 so as to nourish the Exchange Equalization fund with bear meat and discourage the ragtag and bobtail of cheap speculators in Europe from attacking the Old Lady of Threadneedle Street.

For what Americans scarcely realize is the extent of "hot" speculation in currencies. In a thousand cafés in Europe, a flotsam and jetsam of shoestring speculators sell every currency short continually against gold and spread alarmist rumors. It is necesssary, every once and so often, to give them rope and then to let them slide down the toboggan, when the cord is cut. Otherwise the currencies would swing to the tune of these jitterbugs.

But what of the future? That is not solved by the temporary capacity of Britain and her satellites to ignore the basic threat. What would happen, for example, if Daladier reunites France on an industrial collaboration policy and makes Frenchmen realize that the franc is deliberately undervalued, or, in other words, that a Frenchman who gets over his fright can command more goods and services at home than abroad? The French have *billions* of dollars cached abroad and they are really as poor as Croesus. Most of that money is in London, or in markets dominated by London. Let that flow back and you will have a situation like 1927-9 when America boomed and France boomed with homecoming Poincaré francs and England stagnated at the most intense period of world inflationary recovery. The perpetual threat of the most abundant nervous intelligent money in the world, the French savings, going home, is enough to make Lombard Street apprehensive. Perhaps war scares can delay this movement, but unless there is actual war, France must call back her money, in large part, sooner or later. The drain on the pound can scarcely be imagined. The reduction in values, the deflation there, would become serious.

How will this affect American investor policy? Will the deflation which was aggravated by the fall of the pound in September, 1931, resume its deadly course? Or can American investors retain confidence in common stocks, despite the ever-present threat of the falling pound?

The answer, on the whole, is, they can. For the fall of sterling is necessarily limited. If it should go to $4.50, the deflationary tendency would scarcely counteract the increasingly available American reserves. Should it slide from there, the tendency would be for everyone to expect its fall to be arrested at $4.12, at which point the United States would raise the price of gold from $35 to $41.34 a fine ounce and so jerk the pound back to parity. Then the scramble of 1933 would be repeated (though one must hope more soberly) and the deflation policy reversed.

A catastrophic decline in the pound, against the dollar, in the nature of the case, can be limited by the United States, and must be limited within these brackets. For a decline in the pound below $4.12 would result in a crazed fear of all currencies, lead to orgies of speculation and shifting currencies and, in countries with a weak credit basis, lead to social revolution.

On the other hand, in the United States, the reduction in the price of sterling might ease social discontent. It would lower costs, in gold terms and world terms (since Britain buys a fifth of the world's goods), and by allowing the capitalist a spread between costs and manufacturing price, assist in maintaining consumer volume at a larger profit, for a while. For it is world raw materials rather than manufactured goods that will face the battle-line. American labor has always been most amenable when the prices of raw materials diverged from that of goods into which labor is the largest cost. That might occur for some time after sterling's decline and limit its nefarious effects.

The Empire is in a position to resist any dramatic fall of values, such as would gravely injure America. From 1923 to 1929 a consolidated statement of countries that keep their reserves in London showed that the British balance was positive and the Empire's negative, so that on balance, the Empire added nothing to gold or foreign investment. From 1929 to 1932, both Britain and the Empire countries were in the red and lost gold and foreign assets. Since 1932, thanks to our price policy, the reserves of the Empire countries have been positive and the United Kingdom negative, so that there has been a gain in reserves expressed in the larger gold holdings of the Bank of England and the Exchange Equalization fund. In simple English, the British Empire used to borrow money it had to pay on demand or in short order, and it loaned out money abroad it could collect only in many years. Since 1932 it has sterilized gold to meet the demand calls on its resources, and it has stopped lending abroad. In other words, it has safeguarded itself by a gold deflation at the expense of American price inflation. True, that basis is gone, but it will take a long time until the reserve so built up will be dissipated. The pound is inert, that is, it is of little use to the world at large, and so it is as safe as any galvanized corpse.

Basically, of course, the currency question is not a currency affair at all. So long as all Europe more or less follows the German pattern, to reëmploy its workers in unproductive capital investment or still more

NEW YORK CURB EXCHANGE

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1938 Price Range High	Low	Recent Price
Alum. Co. of Amer.	117	58	108
Amer. Cyanamid B (.60)	26⅝	15½	22¼
Amer. Gas & Elec. (1.40)	31⅝	19⅛	26⅞
Amer. Lt. & Tr. (†.90)	16	10	13¾
Amer. Superpower	1⅛	½	⅝
Assoc. Gas & Elec. "A"	1⅜	⅝	¾
Ark. Nat. Gas "A"	4⅞	2¼	3
Carrier Corp.	32	17⅝	21⅝
Cities Service	11	7¼	7⅜
Cities Service Pfd.	47⅝	21½	37½
Colum. Oil & Gas	4⅝	2⅜	3¼
Consol. Copper	6¾	3½	5¾
Consol. Gas Balt. (3.60)	74	55	73
Creole Petroleum (*.50)	27½	17½	21¼
Eagle Picher Lead	13¼	7	10⅛
Elec. Bond & Share	10¼	4½	7⅛
Elec. Bond & Share Pfd. (6)	61¾	42	54
Ford Mot. of Can. "A" (1)	21¼	14⅝	20½
Glen Alden Coal (†.25)	7	4⅝	6
Gulf Oil of Pa. (†.50)	46⅞	33	39½
Hecla Mining (†.15)	10¾	6⅛	8⅝
Humble Oil (†1.37½)	72⅝	56	65⅝
Imperial Oil (*.50)	19½	15	16¾
Iron Fireman (1.20)	19	11⅝	17½
Jones & Laughlin	43½	21	33
Lake Shore Mines (4)	58½	45½	52
Lockhead Air	16⅛	5⅝	13⅝
Molybdenum	6½	3½	5½
National Bellas Hess	1	⅝	⅝
New Jersey Zinc (†1.50)	72½	45½	63
Newmont Mining (*3)	77½	42	74¾
Niagara Hudson Power	9¼	5⅛	7
Niles-Bement-Pond (†1.50)	42¼	24¼	40¼
No. Am. Rayon "A"	29	12½	28¼
Pan-Amer. Airways (†.75)	19⅝	12¼	14⅛
Pentepec Oil	7⅜	3¾	4½
Pennroad Corp. (‡.25)	2¾	1⅝	2
Pepperel Mfg.	86	54¾	72
Pitts. Pl. Glass (†.50)	106¾	55	100½
St. Regis Paper	4⅛	2⅛	3
Sherwin-Williams (†2.00)	115	66	105
South Penn Oil (*1.50)	39	28¾	34
Technicolor (†.50)	26½	14¼	22⅛
United Gas Corp	5¼	2¾	3½
United Lt. & Pwr. "A"	3⅜	1½	2⅛
United Lt. & Pwr. Cv. Pf	28½	13½	20½
Wright Hargreaves (*.40)	8⅜	6⅜	7¾

† Paid this year.
* Not including extras.
‡ Paid last year.

unproductive armaments, it is following the pattern of 1914 to 1918 in peace time. What we have head is war economics in peace time. That has given the dictators and Chamberlain the best of both worlds. It is a law of history that those who enjoy the best of both worlds must see them go together and go down for the count. British recovery has been based on six assumptions. Protection, new light industry, housing, armament, abstinence from foreign lending, American inflation. All six are weakening together. Reserves and sagacity and American collaboration can limit the damage. But damage there must be. If it turns our own government towards building recovery by stimulating productive capital investment we may easily counteract the influence of a foreign collapse. It may even pay us a dividend in industrial statesmanship and long-breathed recovery.

Procter & Gamble Co.

(Continued from page 627)

simple one. There are 6,325,087 shares of common stock outstanding in the hands of the public, senior to which there are 22,500 shares of 8% preferred stock and 169,517 shares of 5% preferred stock. As between the two preferreds, the 8% issue ranks ahead of the other; both are of $100 par value. There is no funded debt whatever — the final part of it having been retired in 1934 — and at the end of the last fiscal year there were no bank loans. The balance sheet as of June 30, last, shows total current assets of $85,300,000, of which $12,400,000 was in the form of cash, while total current liabilities amounted to $13,300,000.

At today's price of 54 the common stock of Procter & Gamble is selling for some three times its book value. However, it is to be noted that land, buildings, machinery, plant and equipment with a cost value of $96,600,000 have been depreciated to a net value of less than $54,300,000 and that the company's immensely valuable good-will, patents, licenses, etc., are carried in the balance sheet at $1. It is hard to overstress the worth of the good-will item. No one knows what it actually is, of course, but it is not to be forgotten that Procter & Gamble has been in business more than a hundred years and has been, at least in late years, an aggressive advertiser.

It is this good-will—a consumer's preference for the company's products—that provides the greatest assurance for the future. Earnings may fall with raw material prices, or even to some extent in accordance with the state of the public's purse, despite all efforts to prevent it, but so long as there is no waning of the consumer's preference, there will always be recovery. So far as the near-term future is concerned, however, it is perhaps unnecessary to talk of price declines and a decrease in the public's purchasing power, for all the evidence points to generally higher prices and an *increase* in purchasing power. After all, Procter & Gamble is to be regarded at the present time against a background of improving business in an inflationary setting. Under such circumstances the current dividend appears to be thoroughly assured and the higher earnings which are in prospect might well result in a substantial extra before another year has passed.

Commercial Credit—Commercial Investment Trust

(Continued from page 631)

estimates of the U. S. Bureau of Foreign and Domestic Commerce, total installment sales in 1937 were only 12.2 per cent of total estimated retail sales, compared with 11.8 per cent in 1936 and 13 per cent in 1929. Average amount of retail installment credit outstanding during 1937 amounted to $2,900,000,000. In relation to estimated $70,000,000,000 total national income paid out last year, installment debt was not large.

It appears likely that the litigation of Commercial Credit and Commercial Investment Trust with the Government, involving alleged violation of anti-trust laws, may be settled by consent decree. It is believed that such an outcome would have little or no effect upon the future operations of either company.

DIVIDENDS RECENTLY DECLARED

Company	Rate	Period	Stock of Record	Payable
American Chain & Cable	0.15	—	9/6	9/15
American Safety Razor	1.60	Q	9/10	9/30
Atlas Powder	0.50	—	8/31	9/10
Black & Decker	0.25	—	9/10	9/24
Canada Dry Ginger Ale	0.25	—	9/8	9/19
Chesapeake & Ohio	0.25	—	9/8	10/1
Chesapeake & Ohio 4% Pref. A	4.00	Q	9/8	10/1
Chesebrough Mfg	4.00	Q	9/2	9/26
Chesebrough Mfg	0.50	Ex	9/2	9/26
Chicago Rivet & Machine	0.10	—	8/29	9/15
Commercial Credit	4.00	Q	9/9	9/30
Commercial Credit 4¼% Pfd	4.25	Q	9/9	9/30
Commercial Investment Trust	4.00	Q	9/10	10/1
Commercial Investment Trust 4¼% Pfd.	4.25	Q	9/10	10/1
Commonwealth & Southern $6 Pfd	6.00	Q	9/9	10/1
Compo Shoe Machinery	1.00	Q	9/3	9/15
Distillers Corp.-Seagrams	0.50	—	9/6	9/15
Gillette Safety Razor	0.15	—	9/6	9/30
Lake Shore Mines	4.00	Q	9/1	9/15
Lily Tulip Cup	1.50	Q	9/1	9/15

Company	Rate	Period	Stock of Record	Payable
Mathieson Alkali Works	1.50	Q	9/7	9/30
Mathieson Alkali Works 7% Pfd	7.00	Q	9/7	9/30
Monsanto Chemical	2.00	Q	9/1	9/15
Montgomery Ward	0.25	—	9/9	10/15
National Dairy Products	0.20	—	9/1	10/1
Outboard Marine & Mfg	0.75	—	9/7	9/23
Quaker Oats	5.00	Q	9/1	9/24
Raybestos-Manhattan	0.60	Q	8/31	9/15
Remington Rand	0.20	—	9/9	10/1
Shattuck (F. G.) Co	0.40	Q	9/2	9/22
Standard Oil of Ohio	1.00	Q	8/31	9/15
Sutherland Paper	1.60	Q	9/3	9/15
Swift & Co	1.20	Q	9/1	10/1
Texas Corp	2.00	Q	9/9	10/1
Todd Shipyards	1.00	—	9/1	9/15
Union Carbide & Carbon	0.40	—	9/2	10/1
Union Pacific R. R	1.50	—	9/3	10/1
U. S. Tobacco	1.25	Q	8/29	9/15

Q—Quarterly. Ex—Extra.

All declarations are on common stocks unless otherwise noted.

Their strong and established competitive prestige should enable them to maintain their relative share of installment financing, regardless of the outcome.

Of the two companies under discussion, Commercial Investment Trust is the largest. At the end of last year, of total receivables held, 58% consisted of retail automobile liens, 10% wholesale automobile liens, 8% textile factoring and 24% industrial liens. These percentages represent approximately the relative importance of the various phases of the company's activities. In 1936, the company acquired National Surety Corp., engaged in underwriting fidelity and surety insurance. In addition to handling instalment purchases of Ford automobiles, since acquisition of Universal Credit Corp., other motor accounts include Nash, Hudson, Studebaker and several truck companies. The company also finances purchases of electric refrigerators and other types of household equipment. As of June 30 last, outstanding capitalization of Commercial Investment Trust consisted of $33,000,000 3% debentures due 1946, $35,000,000 3½% debentures due 1951, 95,441 shares of $4.25 preference shares and 3,314,554 shares of common stock. The June 30 balance sheet disclosed the financial strength characteristic of the company. Total assets amounted to $421,167,703, the bulk of which consisted of installment receivables totaling $292,049,446. The latter were comprised of 1,474,247 items, with balances averaging $198 each.

Like Commercial Investment Trust, Commercial Credit has sought to enlarge its scope and diversify its activities. In recent years the company has acquired three textile factoring units, including Textile Banking Co., the second largest organization in the factoring field. The company has also acquired the American Credit Indemnity Co., engaged in writing credit insurance, and owns a majority interest in Gleaner Harvester Corp., manufacturing agricultural machinery. Earlier this year Commercial Credit cancelled its contract with Chrysler Corp., and the latter disposed of its holdings of Commercial Credit common shares, both moves apparently designed to remove objections raised by the Government in its anti-trust suit. Cancellation of the Chrysler contract, however, does not affect the agreement which Commercial still has with dealers and distributors of Chrysler automobiles. Other installment accounts purchased by the company include oil burners, refrigerators, washing machines, etc. Of total receivables held at the end of last June about 51% were retail automobile liens, 14% wholesale automobile liens, 23% industrial retail liens, 5% open accounts and notes and 7% factoring receivables. Capitalization at the present time includes $35,000,000 2¾% debentures due 1942, $30,000,000 3¼% debentures due 1951, 121,948 shares of $4.25 convertible preferred stock and 1,840,986 shares of common stock.

Throughout this discussion the reader has doubtless noted a marked similarity in both companies. The affairs of both have been marked by the evidence of competent and skillful management. Policies at all times have been well within the limits of conservatism and under the difficult conditions and problems imposed upon industry during the past decade they have displayed unusual flexibility. Each has a long record of sustained dividends. All of which give to their shares obvious investment appeal. With every indication that their earnings are once again in a rising cycle, the common shares of both companies are justly included among the more attractive common stocks for current acquisition. To the extent that future earnings may not appreciably exceed the record levels for 1937 for some months to come, the feature of dynamic possibilities which is so eagerly sought in common stocks is admittedly lacking. Even granting these limitations, there is, nevertheless, ample room for earnings recovery accompanied by profitable price appreciation and liberal dividends.

Forthcoming Dividend Meetings

Company	Time	Date
Air Reduction	9:15	Sept. 14
Alaska-Juneau Gold Mining	11:00	Sept. 22
American Home Products	11:30	Sept. 22
Barnsdall Oil*	11:00	Sept. 22
Carriers & General*	12:00	Sept. 14
Cleveland Graphite Bronze*	12:30	Sept. 13
Consolidated Film $2 Pfd.*	4:00	Sept. 21
Consolidated Oil*	4:30	Sept. 14
Corn Products Refining Com. & Pfd.	2:00	Sept. 23
Cream of Wheat	10:00	Sept. 14
Deere & Co	10:00	Sept. 20
Elec. Bond & Share $5 & $6 Pfds.*	3:30	Sept. 21
Federated Dept. Stores Com. & 4¼% Pfd.*	11:30	Sept. 23
General Foods $4.50 Pfd.*	9:30	Sept. 16
General Mills*	——	Sept. 22
Gimbel Bros. $6 Pfd	10:30	Sept. 20
Howe Sound	10:00	Sept. 13
International Nickel Pfd	2:30	Sept. 12
Island Creek Coal Com. & Pfd	2:00	Sept. 13
Kaufmann Dept. Stores 7% Pfd	2:00	Sept. 14
MacAndrews & Forbes Com. & Pfd.	11:00	Sept. 15
National Distillers Products	11:15	Sept. 22
National Power & Light $6 Pfd	3:15	Sept. 15
Pacific Gas & Electric	3:30	Sept. 14
Procter & Gamble 8% Pfd	1:45	Sept. 13
Public Service Co. of N. J. 6% Pfd	3:00	Sept. 20
Telautograph Corp	2:30	Sept. 22
Thatcher Mfg. Conv. Pfd	9:30	Sept. 21
United Fruit	2:00	Sept. 12
United Shoe Machy. Com. & Pfd	10:30	Sept. 14
Universal Leaf Tob. Com. & 8% Pfd.*	——	Sept. 12
Warren Foundry & Pipe*	3:00	Sept. 22

*** Approximate date.**

All meetings on common stock unless otherwise noted.

As Business Sees Its Own Future

(Continued from page 612)

company saw the low point in sales last January and to date has had a gain of 11%. Its management hopes for a substantial near term improvement but qualifies this optimism by saying it depends on what happens in building and in the automobile field. It adds that it is not "brave enough" to venture any prediction for 1939.

Well, taking into account the relatively high base from which the recovery cycle has started, the promising trend of new capital financing, the fairly good picture in construction, the late summer's greater than seasonal gains in retail automobile sales, the present upward trend in national income payments from a June depression low only some 12% less than the 1937 recovery peak and the certainty of lavish Government pump priming—taking all those factors into account this writer will be brave enough, or rash enough, to opine that the business trend will be favorable not only for the rest of this year, barring a temporary severe shock from major war, but well into 1939. Whether it will be good for *all* of 1939, deponent sayeth not. But nobody can prove the contrary and it costs nothing to be hopeful.

General Motors

(*Continued from page 623*)

As for the more distant future, stockholders may look to the diesel and aircraft divisions and to the research into new products and processes which is being constantly carried on. All know of concerns which have branched out into other fields and where the new activities have become more important than the old. General Motors' family may yet perform this service for their parent, although it will not be next year, nor the next, nor the year after. In this particular case, however, the parent is so lusty that it will be unnecessary to depend heavily on the offspring until they have increased in stature and are more capable of carrying the burden.

As I See It!

(*Continued from page 607*)

as well as in Africa?

In a word, the bond that ties these two Dictators together has a fundamental basis, i. e, their common purpose of besting England, depriving her of her assets and power, and dividing the spoils.

In Hitler's book "Mein Kampf" he makes it clear that his ambitions for Germany lie in Europe and Russia; that he has no interest in the African colonies. The status of the Rome-Berlin entente today, leads me to believe that this is what Hitler still thinks—and that the German periodic demands for the return of her colonies is just so much eyewash, and is used only for psychological effect on the English.

German aims, therefore, do not conflict with Il Duce's—whose dream is first to make the Mediterranean an Italian sea and then to endeavor to re-establish the Roman Empire which once extended from the Black Sea to the Atlantic. But, this time he wants a large slice of Africa where he can produce the raw materials necessary to make the Italian Empire a complete entity.

In view of all this, it must be plain that England cannot gain any advantage by placating either Germany or Italy unless it is in the form of a gift of tangible property. Her dangerous temporizing is due in a large measure to the strong pro-Nazi element in her aristocracy whose German lineage has caused a leaning toward the Nazis. This inclination has greatly influenced the Government toward indecisive action which cannot help but work to the detriment of the Empire, which to save itself must conduct its affairs on the recognition that both Italy and Germany are a menace to her existence.

Certainly everything that Mussolini has done in his Spanish activities and in stirring up trouble in the various British colonies, should have caused Chamberlain to realize that there is no possibility of adjusting English and Italian affairs or of weakening the alliance between Hitler and Mussolini. The recent rebuff from General Franco in which he refused all of the British demands certainly makes it clear that England has nothing to hope for from Mussolini. And still inertia overpowers the British government.

Douglas Reed, a most able European correspondent of the *London Times* in his recent book "Insanity Fair" describes the abuse and insults heaped by Hitler on the English when Germany entered Austria, and later his own heartbreak in hearing the London radio announcer tell the English people that Hitler "had made a gesture of friendship toward England!"

The time has come for England to act decisively or submit to being dismembered, mercilessly and cruelly. The way England handles the Czechoslovakian situation will decide whether she is going to stage a comeback or whether she is through.

In the meantime, the rest of the world sits on the sidelines, inert and anxious—waiting for the next move.

Stocks with Earning Power Plus

(*Continued from page 636*)

products, coupled with the decline in foreign sales and losses incurred from the revaluation of the French franc. Aided by the strong revival of both amateur and professional interest in photography, sales of photographic supplies have been only slightly affected by the business depression of the past year. Dividends, including a 75-cent extra, totaled $7.50 last year, and payments thus far this year have totaled $6.50 a share on the common stock, the most recent quarterly disbursement being at the rate of $1.50 a share. Strongly fortified financially, the company is in a position to pursue a liberal dividend policy.

Judged by any reasonable standard, the shares at recent levels around 170 would appear generously priced. The market, however, is willing to place a substantial premium on the company's "plus" factor—and justly so, not only on the strength of its long and outstanding record of profitable operations, but on the possibilities for successful expansion of the company's activities in the chemical field. The high price need not necessarily be a deterrent to the smaller investor seeking a conservative medium. It is not unlikely that 10 shares of Eastman Kodak, in the long run, may prove a much more satisfactory investment holding than 100 shares of the average issue obtainable at 10% of the Eastman Kodak quotation.

Happening in Washington

(*Continued from page 619*)

word that processors must support present program or face something less to their liking, which is logical if unpalatable. In any case farm benefits, present or additional, will come out of the general Treasury, and processing taxes will not be enacted.

More subsidies for farmers, unemployed, aged, underprivileged, etc. is the order of the day, and many direct and indirect probably will be voted next year without thought of total cost. With New Dealers defending federal deficit as an economic blessing, economy advocates will be ignored and tax increases will not overtake expenditures. Observers are worried not at size of federal budget but at practical difficulties of ever reducing it because of evergrowing pressure groups demanding subsidies as a right.

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